AMERICA'S GREATEST FINANCIAL PUBLICATION

The MAGAZINE of WALL STREET

Vol. 20 JULY 21, 1917 No. 8

U. S. STEEL—MARKET BAROMETER

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America's New Investment Position—Scribner Browne

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THE OUTLOOK

Importance of Price Regulation—Consumptive Demand—Peace Possibilities—Earnings On Industrials—The Decline in Liberty Bonds—The Market Prospect

PRESIDENT WILSON'S statement as to the duty of business men to subordinate profits to patriotism, while meeting unanimous and unqualified approval as a general principle, has left the country in much confusion and doubt as to the outlook.

The President says that a just price should be "a price which will sustain the industries concerned in a high state of efficiency, provide a living for those who conduct them, enable them to pay good wages, and make possible the expansion of their enterprises which will from time to time become necessary as the stupendous undertakings of this great war develop."

The country agrees with that definition, but it is clear that it involves many factors in regard to which opinions will legitimately differ. The judgment of different persons as to the prices which would meet the above requirements will vary widely.

In the steel industry the whole matter has been postponed awaiting the report of the Trade Commission. This leaves everybody in the dark. Some of the steel men are saying that the result will practically amount to confiscation of their present profits. In some other quarters a more optimistic view is taken, but no one ventures to hazard a guess as to the prices which will finally prevail.

Difficulty of Price Regulation

THE President's statement that prices to the Government and to other buyers should be the same, opens up a very wide field of price regulation. If the price of steel, for example, is fixed by the Government, then the steel manufacturers' costs must also be fixed. It would be absurd to limit the price of steel and still permit makers of iron to establish prices based on supply and demand. Evidently iron, coal and coke will also have to be regulated.

But it will be impossible to extend Government regulation to the price of every item of cost involved in steel making. Wages, a very important element in the situation, will be difficult to regulate. Even at present, the total production of the iron and steel industry, as well as in many other lines, is strictly limited by the labor supply. The Military draft soon to be made will further reduce the country's wage-earners available for industry. The problem will

be to draw the greatest possible supply of labor into field and factory. Wages must be a secondary consideration.

Likewise, if the price of steel is to be limited, then the prices charged by manufacturers of various articles made from steel should also be regulated. It would be unjust to restrict the profits of the steel men and at the same time permit manufacturers using steel to charge whatever prices they choose. And this includes probably 75 per cent. of the manufacturing of the country.

Uncertainty of the Outcome

SOME sort of price regulation seems necessary. An average price above $119 a ton for steel and above $50 for pig iron, is nothing but an absurdity, and the same condition exists in many other industries. The war has created a situation in which demand is constantly so far in excess of supply that no reasonable price will adjust the one to the other. The demand for everything that enters into the war is imperative. It must be met at the earliest possible moment regardless of price. Hence if prices were left to themselves there would be almost no limit to their rise.

This condition cannot be permitted to go on. It would result in a chaotic price situation, with enormous profits in some lines and corresponding hardships in others and for many individual consumers. It would hamper the successful prosecution of the war.

Something, therefore, must be done. The only question is, What, and how much? The answer to this question has not yet been found, and the Federal Trade Commission is to look for it. The outcome is uncertain to the highest degree and that uncertainty is being reflected in the unwillingness of business men to place orders in advance or to accept them, and in the caution of investors.

Consumptive Demand

THE many uncertainties arising from the war, the prospect of further bond flotations at an early date, the probability that investors will be called upon to supply even more than the $7,000,000,000 originally estimated for war purposes, and the imminence of the very heavy taxation program, have naturally had some effect upon the buying power of the people—or if not as yet upon their actual buying power, at least upon their disposition to buy.

In trade circles generally it is noted that the demand is less keen. There is very little check to the general activity of business. The big war demand fills all the gaps. But there is a noticeable falling off in direct consumptive demand from the people.

It seems clear that this tendency must continue. The money which is paid out in taxes or subscribed to Government loans cannot be spent in other ways.

Earnings on Industrial Stocks

IT is clear that the period of biggest profits for our leading industrial companies is past. The conditions outlined above must limit earnings while the war lasts, and peace, when it comes—as it eventually must—will make necessary an extensive readjustment of industry.

It is not safe to compare the effect of this war on industry with the effects of past wars. Price limitations and Government control of industry are new factors of such prime importance as almost to destroy the value of such comparisons. Present investment problems are new and must be judged by themselves.

The Railroad Outlook

THE price fixing program has an important indirect bearing on the railroad outlook. So far as it is effective it will aid the roads in preventing any further rise in the cost of transportation. On the most important item, labor, it can have little or no effect.

However, with railroad rates fixed by the Interstate Commerce Commission and with the Government demand for capital so great as to absorb practically the entire amount available, the prospect for an advance in railroad stocks is not especially bright. They must, like all other investment securities, feel the effects of the heavy Government financing, and their speculative possibilities are limited by rate regulation.

Decline in Liberty Bonds

ALTHOUGH Liberty Bonds have sold in small quantities at 99, too much emphasis should not be placed upon the decline. These bonds are worth par on their prospects for conversion into a later bond issue at a higher rate of interest, and it is probable that the principal reason for their slight fall in price has been the report that the next bond issue would be at the same rate of 3½ per cent. The number of bonds sold below par is trifling compared with the volume outstanding.

In the meantime the Treasury states that the rate of interest on the next bond issue has not yet been decided. An appeal to patriotism may make it possible to sell another issue at the same rate of interest.

The Market Prospect

FOR some time past we have advised investors to realize on their holdings, especially of industrial stocks, and as yet we see no reason to suggest repurchasing. The broad swing of prices appears still to be downward.

The general investment situation is perhaps more complicated and uncertain than at any previous period of the war. We are in the midst of new and untried policies. To a great extent those policies must necessarily be determined from week to week as war emergencies arise. We consider it unwise to hold industrial stocks under such conditions, and we see no special inducements for the purchase of railroad stocks at present, although it must be admitted that they are not far from the lowest prices recorded during the years 1914 to 1917 inclusive.

—July 16, 1917.

ANNOUNCEMENT

The special attention of our readers is called to the article on the position of U. S. Steel common, which appears in the pages immediately following.

We requested Mr. SexSmith to prepare this article, since his analysis of the situation coincided with the views of this publication as expressed in our columns for some weeks past.

The most vital thing for the investor or trader is to recognize the turning point of the market, and we submit this article as an aid to our readers in forming their own opinions as to whether such a turning point has been reached.

The well-known Wall Street saying, "As Steel goes, so goes the market," is particularly applicable at this time.

Present Status and Market Outlook for Steel Common

By THOS. L. SEXSMITH

ON the first day of February, 1915, United States Steel, common, opened at the then new minimum price of $38 a share. A number of transactions took place at this figure before any rally came. Finally, before the day ended, Steel had shown for the first time in several days that it had at last accumulated some little rallying power, and the rebound which followed extended two points. This first day of the second month of the year marked the lowest point of a long drawn out depression in Steel shares.

The descent of Steel, common, from its earlier record high of 94⅞, touched in the fall of 1909, to its final minimum in 1915, was one of beautiful regularity, punctuated by a series of closely related up and down swings (clearly shown in the accompanying graphic) the supporting point of each succeeding movement being gradually lowered until the final resting place was established by the introduction of the minimum price ruling by the governors of the Stock Exchange.

The idea is often advanced that prices for securities are mainly the result of manipulative tactics, and the claim is made that prices are, in a large measure, the result of manipulation rather than intrinsic values. Now and then, it is true, certain maneuvers in the market would appear to bear out this idea. Yet, while manipulation undoubtedly is an important factor in the making of the market from day to day, there can be no denying the fact that values play the final card.

Quick Change for Better

In the month of January, 1915, the earnings of the United States Steel Corporation had receded to the low ebb of $1,687,150. In the following month, February, on the first day of which the common stock sold at the minimum price of $38 the share, the earnings showed a net increase of approximately $2,000,000 over the previous month. While these earnings were small in volume, the fact that they were over 100 per cent. greater than those of the month before was evidence enough that the turning point had been reached. Further confirmation of this followed in the earnings for the month of March, which totalled over $7,000,000. It was then plain to be seen that the fortunes of Steel had again turned for the better. About that time the Magazine of Wall Street, in a special article dealing with the outlook for industrials, said that U. S. Steel, common, at the prevailing price of $40 the share, presented the third greatest speculative opportunity in the history of that security. From that time it was an uninterrupted story of continued progress. By veritable leaps and bounds the unfilled tonnage and earnings figures went forward, each month and year showing market increases over all preceding periods.

By March, 1917, the last month to be officially reported, earnings had reached the total of $43,630,422 for the month. In normal times, even in prosperity, such a sum would have been regarded as highly satisfactory earnings for an entire quarter, and in fact would have constituted record earnings for any but one of the recent quarters. Thus, had Steel, the pauper, changed the rags of the street for the princely robes of wealth.

As an interesting comparison, the earnings for the last quarter of 1914 show a sharp contrast to those of the first quarter of the present year. In the quarter ending with the month of December, 1914, the Steel Corporation earned $10,935,635. In the quarter ending with March, of this year, net earnings were $113,121,018. By the end of 1914 the total surplus of the Steel corporation had dwindled to $135,204,472. This was equal to 26.59 per cent. on the outstanding common stock. One month later the common stock of the corporation sold at $38 a share, representing at the time,

no doubt, the going worth of the equity, plus a certain speculative value.

Accepting the authoritative estimates of earnings for the present quarter, which range around $135,000,000, and making due allowance for depreciation, interest on bonded indebtedness, and providing for the preferred stock dividends, we find that net earnings for the period of 1915, 1916 and the first half of 1917, represent, approximately, 98.45 per cent on the common stock capitalization. To express this betterment over the condition at the beginning of 1915 in percentage it figures at about 270 per cent.

Price of Stock Follows Earnings

On the thirty-first day of May, 1917, United States Steel, common, touched a high of 136⅞, precisely two years and four months from the day it sold at $38 the share. The advance in the interim had been approximately 99 points. Reducing this again to a percentage basis we find that the advance in the price of the stock from the minimum low to the maximum high to date has amounted to 260 per cent. A remarkable co-ordination is thus seen between the increase in the common stock equity in the surplus account and the increase in the market price of the common stock.

A review of the earnings, unfilled tonnage and common stock price curves, shown on the graphic which accompanies this article, is of interest. The various peaks in the three curves which have occurred since the organization of the Steel Corporation are indicated. Several times, during the past fifteen years, the making of these various peaks have marked important turning points in the corporation's career. During 1902 and 1903 the price of the stock moved substantially in harmony with the rise and fall of the unfilled orders. In the middle of 1904 there was a decline in orders, while the price of the stock continued generally upward. This was due to the fact that the price of the stock had been abnormally depressed in 1903 by the financial panic, and in 1904, with the return of easy money, a great part of the depression was soon recovered. A change for the better in the money market made it possible for Steel to move in some degree independent of the unfilled orders. Throughout 1905, 1906 and 1907 the close relationship between the movement of orders and the stock was really remarkable. In 1908 we had a repetition of the conditions of 1904. A very easy money market, following the panic of 1907, caused the stock market to rise sharply, and Steel, common, advanced independently of an improvement in unfilled orders.

In 1909 and 1910 there was a general correspondence in the movement in these two lines on the diagram, but in 1911, following the severe liquidation of 1910, the price again preceded the upward movement of orders, though, in this instance, but slightly, because the depression of 1910 was not severe. Again, in 1912, a close relationship was shown.

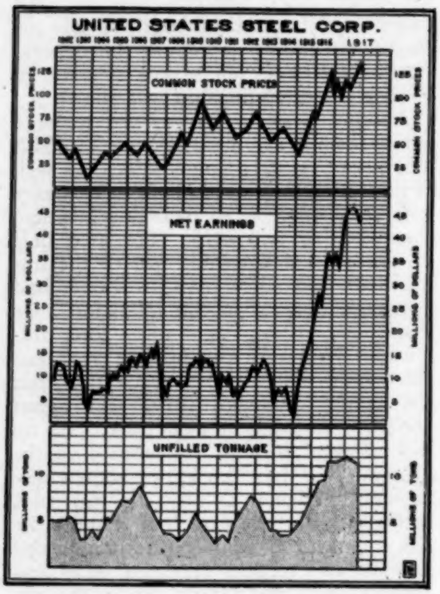
Another peak in the unfilled tonnage curve came in the final quarter of 1912. The price for the common stock, as well as the earnings, moved along in harmony with the dwindling of incoming business for more than two years. The latter half of 1914 saw a flattening out of the unfilled tonnage curve, and no sooner had it turned upward in the following year than both earnings and price lines followed. Not until the present year has there been more than a suggestion that the unfilled tonnage curve was again about to establish a new peak. At no time during the first six months of the present year has the curve shown any marked tendency to advance into new territory. For the first four months the line is one of pronounced hesitancy, and the last two months reported, May and June, show a net falling off, in the aggregate, of approximately 800,000 tons. Earnings figures for the second quarter of the year are not yet available. Earnings for the first quarter show the usual striking increase over the previous quarter, and the estimates for the second quarter show an even greater increase.

The important item in the earnings situation, however, is the fact that in the month of June, as estimated, earnings apparently show a falling off of about $3,000,000 under those for the month of May, thus, if the estimate is approximately correct, earnings have already begun to respond to the drop in

the inflow of incoming business as reported in the current unfilled tonnage.

Stock Heavy in Market

The price record of the common stock in the market also begins to exhibit this same tendency to flatten out and turn downward. In November, 1916, the common stock sold as high as 129¾. Subsequently it reacted to 99, and in a remarkable campaign, during the first five months of the present year, it achieved its record high to date of 136⅞. At the present writing it is now going into the second month since the high



point was touched, and its career in the market has since that time been characterized by an unusual amount of activity, an exceptional daily volume and continued nervousness. All the usual symptoms which accompany an important distribution are to be found in a diagnosis of the case of Steel. Occurring at a time when the unfilled tonnage and earnings figures begin to show a reluctance to advance further, and considered in due relation to other economic developments, the question may be fairly raised whether or not an important turning point may not be at hand in Steel.

Basing judgment on the statistics at hand, first, the rounding of the unfilled tonnage curve for the first time in two and one-half years; second, what promises to be a peak in the net earnings curve, on account of a peculiar grouping of unfavorable conditions; third, a seven weeks' halt in the upward climb of the market price for the common shares of the corporation; fourth, the extraordinary large turn-over of approximately 8,000,000 shares of the common stock (equal to over one and one-half the entire common stock capitalization) within a price range of nine points and on the top, practically, of an advance of nearly 100 points since the early months of 1915, we arrive at the definite conclusion that the final turn in the 100 point rise has already been recorded.

Like the tides of the sea, those of prosperity and depression ebb and flow. When at flood-tide little possibility of the coming of the ebb appears in prospect. Always the first recessions from the prevailing trend are readily explained away. The first reported lowering of the unfilled tonnage figures for the months of May and June was accounted for by a number of financial writers on the ground that the Steel Corporation had refused to book a considerable amount of private business because it wished to keep a large percentage of its capacity free in order to be in position to promptly take care of Government requirements

The writer would be the last to impugn any lack of patriotism to the directors of the Steel Corporation. They are an estimable body of men, representing the very best and most progressive contemporary business standards, and to whose judgment, ability and forward-looking qualities of mind the entire nation is indebted. But these men are first of all business men. They are willing, no doubt, to make any reasonable sacrifice for the good of the country, but there is a question whether such ideas of service or sacrifice as are entertained by the average citizen engaged in business enterprises, would entail the refusal of actual orders at hand, at stipulated prices, for tentative orders at prices to

be established later by means of a price fixing plan not yet clearly defined even in the minds of the Government executives.

Law of Diminishing Returns Effective

For the reasons above outlined, the writer hesitates to give entire credence to the explanation put forth in connection with the falling off of unfilled tonnage figures for the two recent months, May and June. To his mind, the real reasons are to be found in causes which go quite beyond the mere policies of the corporation's management. These reasons are fundamental. Perhaps in a practical application of the familiar law of diminishing returns may be found something like a true explanation of this apparently unaccountable falling off of business at a time when demand for steel products seems to be mounting on all sides.

Whatever the reason, the fact remains that the unfilled orders of the Steel Corporation now show a falling off for two consecutive months, after two and one-half years of constant expansion, and that earnings, too, have apparently begun to droop. One cannot get away from the facts. The figures are before us, and figures do not lie.

Steel After the War

We hear a great deal about the huge demand that is certain to set in for steel after the war has been happily brought to a conclusion. But can anyone count with any degree of certainty on this future demand? Assuredly not. One man's guess as to after the war conditions is as good as another's. Let us rest our case on facts. We have recently passed through an epoch of extraordinary demand for steel products and for practically all classes of commodities. In fact, to a remarkable extent, this demand is still insistent. Signs of hesitancy, of flagging pressure, now appear. Enough, at least, to arouse suspicion that a turning point is being recorded.

That prudence and good common sense would counsel the conversion of generous profits, now accrued on investments made some time ago in the securities of steel producing concerns, is certainly not a question for debate. Profits may be cashed only when one has them in sight. Many who now have generous profits will, no doubt, feel justified in giving others the opportunity to make some of the profits, if any are still to be had, on the long side of Steel.

In this analysis, no account has been taken of the possible effect on earnings of either the proposed Excess Profits Tax or the newly enunciated Governmental policy of price restriction. At the time of writing, these measures are largely in the formative stage, and, consequently, they are not available for our present purposes.

But, fortunately, the close student of conditions and price movements is not bound to consider each passing factor. Those forces which have heretofore influenced the trend of the market price of Steel will continue to be potent. Many are devoting much energy to the making of estimates of amounts which these new imposts will reduce the Steel Corporation's earnings; but it is significant that weeks before either the Excess Profits Tax or the Price Fixing Plans have been decided upon the usually reliable indices of the condition of the industry had already shown the presence of a downward tendency.

WORLD GOLD AND SILVER PRODUCTION

The total world production of gold from the discovery of America to the present time is, according to this compilation, $16,500,000,000 in value, and that of silver $15,500,000,000 in coining value. The gold money of all countries of the world for which statistics were available in 1896, aggregated $4,144,000,000, and on January 1st, 1916, $8,258,000,000; silver money of the same countries was in 1896 $4,237,000,000, and in 1916 $2,441,000,000. The "uncovered paper" money of the countries in question was stated in 1896 at $2,558,000,000, and in 1916 at $8,583,000,000, all of these above statements being made upon the authority of the Director of the United States Mint.—*National City Bank.*

America's Changed Investment Position

How Our Participation Has Altered the Entire Outlook for Security Prices—War Price Movements in England—What We May Expect

By SCRIBNER BROWNE

ANY impartial observer who talks with investors in the financial district, or any one who handles the correspondence of stock- and bond-holders throughout the country, will soon come to the conclusion that only a few of them have any just appreciation of the tremendous difference in the investment outlook between America *outside the war,* the one great neutral in a position to furnish war supplies to the belligerents, and America *in the war,* bearing more than its share in the cost of a world-conflict, whose far-reaching effects cannot even be estimated.

To the average investor, things seem to be going on pretty much as before. If we are not having "business as usual" we are at least having as much business as usual. There are some radical changes in the currents of trade as a result of our Government's war activities, but the aggregate shows no diminution.

A Momentous Step

As a matter of fact, however, our entrance into the war was a momentous step, not only as affecting the nation as a whole, but also in its influence on the fortunes of individual investors. It is worth while to recall and summarize the changes which this step brought.

America outside the war had command of material resources which the Entente Allies must have, and could get nowhere else. They were compelled to buy these supplies regardless of price. Their needs were greater than our fields, mines and factories could possibly meet. The inevitable result was runaway prices and runaway profits.

There was no check to this situation, which was unprecedented in the entire history of the world. Europe in its extremity bid our prices up on itself, and there was no power, economic or governmental, anywhere in the wide world, to check the movement until Europe's buying power should be exhausted. So far as the Entente Powers could buy from us on credit, they did so. When we demanded gold, they had no choice but to pay it.

America in the war meant that at one step we abandoned this position of vantage and pledged our lives, our fortunes and our sacred honor to the cause which had already reduced England, France, Russia and Italy to a condition of exhaustion which, if we had not come to the rescue, might soon have bordered on demoralization.

At a stroke of the pen we ceased to profit from their necessities and placed ourselves shoulder to shoulder with them in their extremity. We have poured more than $1,200,000,000 into their depleted coffers, and must continue to pour. We are drawing our labor from productive industry and preparing to send it overseas in that most unproductive of all businesses—from the material point of view—killing our fellowmen and destroying their prosperity. We are laying upon ourselves a staggering burden of taxation, we are borrowing from our citizens and capitalists in figures so large as to be meaningless to us, to protect an ideal.

Instead of pocketing fabulous monopoly profits, we are bearing a double share in the cost of a conflict so much more costly than any other that comparisons are childish. America now has the world's last great reserve of capital, and that final reserve is being depleted with startling rapidity.

Investments and Capital

Investment markets, taken as a whole, afford an index of the supply of capital available for investment. That statement is a truism, yet we are always forgetting it. We are always becoming confused by minor influences and exceptional instances and overlooking the great fundamental basis of prices.

Note, for example, the movements of

British securities as shown in the graphic. Observe the sharp drop in the average price of 387 British securities when the English market reopened in 1915 and the steady decline from that date to the present time. Only the iron, coal and steel stocks are now higher than they were in 1914, just before the war began. This exception is due, of course, to the tremendous demand for those materials in the war.

The great fundamental factor in this long decline has been the steady shrinkage in British capital, the continual pouring of funds into the bottomless pit of the war.

Contrast this with the combined averages of fifty American railroad and industrial stocks, also shown herewith. Throughout 1915 and 1916 Europe was pouring its hoarded resources into our laps. Our bank reserves and deposits, the treasuries of our corporations, the pockets of our farmers and tradesmen, were overflowing with cash as never before. And this great accumulation of capital was shown in the sensational rise of investment prices.

The 1916 Climax

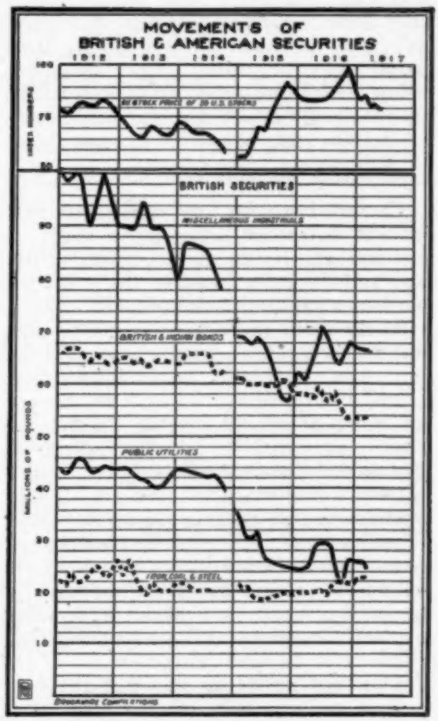
We know now that in the latter part of 1916 Germany was pushing her submarine construction with all speed; that our Government officials even then expected a renewal of unrestricted submarine warfare; that our President was straining every nerve to find some way to keep us out of the war, but with gradually waning hopes.

It is strange indeed to see that our stock market accurately reflected the situation as it was, not as it was generally believed to be. The sensational decline of December, 1916, was laid to the prospect of peace, when it was really due to the prospect of war.

It was only another instance of the uncanny way in which the stock market reflects conditions as they are, not as they are thought to be, even when it would seem that scarcely any one could possibly know the real facts.

Effect of Liberty Bond Sale

After having fallen to 75.8 May 9, the average of fifty stocks rallied to 84.4 June 14, and was maintained near that price until the end of June. There can be no doubt that this advance was closely connected with the sale of the Liberty bonds. Every one in Wall Street realized that the bonds would be more heavily subscribed if that optimistic condition of the public mind prevailed which



always accompanies a rising stock market.

Pools in the industrials were encouraged to advance their specialties. Bankers considered it patriotic to take a cheerful view of the situation. Emphasis was laid on the prospect of an increase in railroad rates, since proved for the most part groundless. The hopeful features of the outlook were brought into prominence. Our allies sent us \$100,000,000 gold.

The desired result was accomplished. The Liberty Loan was heavily oversubscribed. With that out of the way, prices again drifted lower.

This is by no means an unusual phenomenon when a big bond issue is to be floated, as close observers of the market are well aware, but the influence of the Liberty Loan was far greater than that of an ordinary corporation bond issue. Everybody in Wall Street was working in one way or another to make that loan a success. Other financing was laid aside. Brokers concentrated their efforts on the loan. A big publicity campaign was organized. For the time being the loan absorbed all interest. And to ordinary motives for promoting bullish activity, that of patriotism was added.

British Markets and American

Can we hope for any marked or permanent difference between the trend of our markets during the remainder of the war and the general course of the British markets as shown in the graphic?

In the main, no. Our supplies of capital are being drawn upon not only for our own enormous expenditures, but also for those of our allies. We have a big store of capital, having piled it up rapidly for two years at the expense of Europe, but the demands upon us are correspondingly heavy. We are already lending to six nations, and must continue to lend. Our prospective war expenses are growing like a snowball. It would be unreasonable to hope for a general upward movement in security markets under such conditions. Our funds must be spent elsewhere.

It is not meant by this that the outlook is unmitigatedly discouraging.

Our big reserve of bank credits is being freely tapped. The reduction of reserve requirements in the recent amendments to the Federal law have facilitated this process. Europe, which is practically on a paper basis anyway, can perhaps send us still more gold. In the rediscounting of commercial paper we have a resource for creating still more credits—a resource of which we have as yet made but little use.

It is fortunate that we have accumulated such a big supply of gold which can now be used as a basis for the expansion of bank credits, and equally fortunate that the Federal Reserve system was established in time to permit us to use our reserves to the best advantage and under the oversight of the Federal Board.

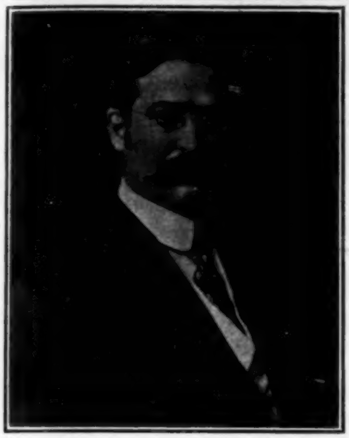
But there is a limit to the substitution of bank credits for accumulating capital. We cannot draw upon capital which has already been invested in the past, because that capital has been turned into concrete things — factories, railroads, houses, mines, and so on. We must fight the war with the accumulations of the present and future, which can be diverted into war channels—into swords instead of plowshares, airplanes instead of irrigation dams.

For this accumulating wealth, this surplus of what we produce above what we must consume, we can temporarily —and to a certain extent permanently, owing to the change in our bank laws—substitute bank credits. But the process cannot be carried too far or it would result in eventual collapse.

In the mean time, the inflation of bank credits will doubtless permit minor upward movements of the market from time to time. The heavy Government expenditures in certain lines will cause certain kinds of securities to rule stronger than the investment market as a whole, as in the case of the iron, coal and steel stocks in Britain. Some of the equipment issues will probably maintain relative strength because of the practically unlimited demand for railway equipment for use in Russia and in France.

But these conditions must, it seems to me, be exceptional. We cannot expect to get away from the fundamental fact that our supplies of investment capital are being very heavily and rapidly drawn upon, and that if they are used for some other purpose they cannot come into the investment markets.

The movement of individual issues will be affected by the details of taxation, by Government price limitation, and by the times and methods of the absorption of funds into Government bonds. Most of these details are as yet unsettled. But the central fact that we must now pour our resources into the war rather than into the markets is settled, and so long as the war continues it cannot be changed.



Railway Rates and Rebates

How the Railroad Rebate Came Into Existence—Part Played by the Standard Oil Co. and the Sunday School Picnic

By GUY MORRISON WALKER

Author of "Measure of Civilization," "Railroads and Wages," "Trust Companies," "What Shall We Buy?" Etc.

Part I—Birth of the Rebate

FOREWORD BY THE AUTHOR

The framers of the Sherman Law and those government officials who for twenty years have sought to enforce it, little thought that the first national crisis demanding high efficiency would compel the government to adopt for its own salvation the very practices which that law made illegal, and for which its law officers had prosecuted hundreds of individuals.

The government now finds itself forced to ask of coal operators and steel manufacturers a pooling of product and fixing of uniform prices, for which practices the government is prosecuting the coal operators and has cases pending upon appeal against the Steel Corporation and the International Harvester Company.

With this proof of the uneconomic character of legislation that has been generally accepted as sound, one should be more ready to accept the proof of the unsoundness and uneconomic character of our past legislation on the subject of rebates and rate making and should be more willing to believe that the present transportation deadlock will be best solved by the repeal of restrictive legislation and the restoration of natural conditions in the transportation of freight and the making of rates therefor.

Guy Morrison Walker

WHEN railroads were first built in England, the popular ideas regarding these roads were those that had grown out of the toll system, whereby stretches of country road were improved by abutting property owners and closed to the public, except those who were willing to pay the toll for the use of the improved roads.

The earliest railroads were merely plank strips laid lengthwise instead of crosswise on the old plank roads, and they were actually built for the use of wagons and teams. They were first developed about the coal mines of England. Some driver, noticing that the coal wagons wore out the wooden rails very rapidly, conceived the idea of stopping this wear and prolonging the life of the rail by nailing a strip of iron along the top of the wooden rail.

The use of iron once begun, it was a simple evolution to make the entire rail of iron and so save the wooden sleeper underneath. These iron railroads were first built for the use of ordinary wagons and had a flange rising some three inches higher on their inside edge to prevent the wagon wheels from slipping off. The first railroads that were

offered to the public use were offered for public wagons, and any driver who was willing to pay the toll could have the privilege of driving his wagon over the rails.

Stevenson's Invention

When the invention of the steam locomotive and its first introduction by Stevenson occurred, the railroads were offered to public use as they were before, the railway company offering only the rails and the locomotive, picking up anybody's wagon, which was offered. In those days some shippers even furnished their own locomotives and hauled their wagons with their own locomotives over the company's rails, but it soon became evident that the railway company could not give facilities for everybody to be running locomotives and trains over the railway company's rails, but that the railway company must control and manage the traffic itself.

The original idea, however, was persistent, and shippers continued to furnish their own cars or wagons, a system which prevails in England very much even to the present time. Practically all coal dealers in England—and by this I mean not only the coal operators or miners, but the large retail coal dealers in the cities—own their own coal cars or wagons, the railway company simply hauling the cars from the mines to the coal yards in the city and back, charging, as it did in the early days, a mere toll for the hauling of the cars over the road.

It is obvious that this system calls for a large investment on the part of the coal companies or private dealers in cars and wagons, but to the railway companies it means a large saving, not only in the original capital investment, but in deterioration and maintenance of this class of equipment, which wears out rapidly.

But there were many small shippers who not only were unable to furnish their own wagons but many whose shipments did not reach carload lots, and for these the railway companies were compelled to furnish cars to haul the goods offered. The additional capital investment in cars made it necessary for the railway companies to charge these shippers two sets of rates: one, the toll for the use of the rails, and the second, the charge for the use of the cars; and this second charge was necessarily made large enough not only to cover the interest on the cost of the car, but the depreciation as well.

Two Sets of Rates

There grew up, therefore, in railway traffic, from the first, two sets of rates, one rate charged to the shippers who simply offered their goods for shipment, where the railway company was compelled to furnish cars, loading facilities, engines and rails, and another set of rates charged to those who had their own terminal facilities, their own cars and for whom the only service rendered was the hauling of the cars to their destination. Carriage by wagon, coach or canal boat had long been recognized as a peculiar business, and the law of Common Carriers had been developed long before railroads were ever thought of.

But even at the time the railways began to haul such heavy freight as coal and iron, they found this traffic altogether in the hands of the canals, who were charging in some instances as low as five cents a ton mile.

In order to get any share of this traffic, the railway companies were compelled to meet the canal company rate so that within fifteen years after the real beginning of steam railways, their average rates were around four and five cents per ton mile.

It was not until well into the fifties that the average freight rate broke below four cents a ton mile, although even as early as this some shipments, like wheat and coal, were being handled over some of the more level roads at rates only a little over one cent per ton mile. As late as 1865, after the close of our Civil War, the average freight rate per ton mile of our best railroads in America, such as the New York Central and the Pennsylvania Railroad, was still over three cents per ton mile.

Enter the Standard Oil

It was not until the organization of the Standard Oil Company in 1869 that

a truly scientific effort was made to ascertain the real cost of handling freight and the means by which that cost might be reduced. It is worth while taking a little time to investigate the relation of the Standard Oil Company to the transportation question, not only on account of the importance that it has in relation to the development of transportation rates, but because of the enormous amount of deceit that has been practiced upon our people in relation thereto.

In the early days of the oil business, shippers forwarded their oil to the refineries in barrels, and the branch of the Pennsylvania Railroad, through the oil country, had a local train that ran through the oil towns each morning, picking up the oil barrels filled by the producers the day before in much the same manner in which our interurban cars now pick up the milk cans left by the farmers on the platforms along the country roads. It is certainly not necessary at this time to call attention to the uneconomic result of handling oil in this way.

In a short time some of the larger producers, including some of those who afterwards organized the Standard Oil Company, began building tank cars of their own, and these were picked up by the oil train as it went past; those furnishing the tank cars receiving, as was the custom and their right, a lower rate or rebate for furnishing their own cars and saving the railway company this investment in cars as well as the expense of loading and unloading, which was necessary in the case of oil shipped in barrels. The business was so profitable that the small producer did not feel any competition, although, of course, his profits were as much less than those of the large shipper, as the economies effected by the large shipper by furnishing his own cars and his savings of twice handling the oil.

Irregular Traffic

The traffic was, however, more or less irregular. Some days the oil train would pick up only five or six cars; other days it would pick up ten or twenty, and yet the cost to the railway company of hauling five or six cars was practically the same as it was when it was fortunate enough to get twenty cars. Its profits were, therefore, not only irregular, but in many cases the light load collected was not even enough to pay the cost of running the locomotive and the train crew over the road.

It was at this point that the Standard Oil Company, getting into the position of being the largest producer, induced the railway company to name a price for which it would furnish locomotive and train crew every day, regardless of the amount of traffic furnished, the Standard Oil Company itself undertaking to furnish cars and sufficient traffic to make the oil train profitable to the railway company every day in the year. In other words, the railway company sold the use of its oil train to the Standard Oil Company, the Standard Oil Company paying the railway company a definite fixed price therefor regardless of whether it had ten or twenty cars a day to ship.

Sunday School Picnics

But the oil train was the oil train, and it continued, as in the past, to stop at the different stations and to pick up the different shipments left there by other shippers. This practice of buying or chartering a train for a day or a trip was a common one in those unsophisticated days. Sunday schools and churches and lodges bought or chartered trains from the railway company for picnic excursions and for excursions from all these central state points to Niagara Falls and return, the church, Sunday school or lodge, paying the railway company a definite fixed price for the use of the locomotive and so many cars for the day, or trip, as was agreed upon.

That train thereupon became the property of the church, Sunday school or lodge buying it, and it was a matter of indifference to the railway company whether the good people hiring the train sold one hundred or one thousand tickets therefor. All that the railway company got out of it was the price agreed upon in advance. The people interested in the project or excursion were the ones who sought the traffic with which to fill the train and their profits were measured by their ability to sell enough tickets to fill the train to overflowing. Many is the church throughout these states that was built or improved or kept alive by the profits made by them out of these excursions. It was entirely a legitimate plan. It is exactly the practice followed in chartering a ship, which no one has yet suggested is immoral or unethical, and when used by churches, Sunday schools and lodges, never excited anyone to criticism.

But the Standard Oil Company, having purchased or rented or chartered the use of the

oil trains from the railway company for a definite fixed sum, like the churches and Sunday schools and lodges, claimed for itself the entire earning power of those trains, and where the railway company in the excursion days sold tickets on these excursion trains for the benefit of those chartering or hiring the excursion trains, so they accepted freight from independent shippers for shipment via the Standard Oil train and collected the charges therefor.

Incipient Rebates

The Standard Oil Company, having purchased from the railway company the use of the train, claimed that these freight charges collected by the railway company from other shippers belonged to it, and when at the end of the month it came to pay the railway company for the use of the trains as agreed, it asked for a statement from the railway company of the amounts collected by the railway company for freight shipped via their, the Standard Oil Company's trains, and, of course, entered that amount as a credit against what they owed the railway company and paid the difference.

In other words, they received, on what they owed the railway company for the use of the oil trains a credit of the amounts collected by the railway company from other shippers via this same train, an entirely reasonable proposition and one that you can easily see involved absolutely no moral turpitude, either on the part of the Standard Oil Company or of the railway company. Yet it was out of this simple transaction, not only distinctly honorable on the part of everybody connected with it, but a transaction the very essence of which warrants a tribute to the business ability and acumen, not only of the Standard Oil Company as a shipper, but of the railway company as a carrier of traffic, that there grew the outcry against the Standard Oil Company that its freight was being paid by its competitors. This was the beginning of that development in the science of transportation that led to the consolidation of traffic into trainloads, which has now superseded carloads as the unit of rate-making. Only a few years ago the meat prices in New York were revised on the basis of a contract made by a single packinghouse to furnish a solid train of packinghouse products every day from Chicago to New York, and every day from that time to this that train of from fifty to eighty cars starts out on its thousand-mile trip without a stop on the whole journey, except such as are necessary for the changing of engines and train crews.

Henry Flagler's Idea

The late Mr. Flagler, of the Standard Oil Company, claimed the credit of devising this economy and securing for himself and his associates this credit or rebate, but a short time thereafter he was amazed to fiind that the railway company had made the matter known and that other large shippers, whose traffic had formerly gone forward via the Standard Oil Company's train, had combined together and pooled their shipments, chartered a separate train and secured for themselves not only a rate equal to that granted to the Standard Oil Company, but one a trifle better, which, of course, led to redoubled efforts on the part of the men who made up the Standard Oil Company to meet the conditions created by their competitors and secure for themselves an additional reduction.

The small shippers, of course, had to take such service as their shipments warranted, and the freight that they paid contributed to the credits or rebate granted either to the Standard Oil Company or to its larger competitors who were pooled together; and this continued until the enormous increase in the production of oil led to such a great reduction in the price of oil and to such competition in the markets that the small producer could not deliver at a profit, or at least thought that he could not.

Then the cry went up of unfair competition, and, for the first time, it was discovered that it was immoral for the small shipper to have his oil carried on the same train with the Standard Oil Company's oil or to permit the Standard Oil Company to pay part of the cost of its oil train out of the charges collected from the small shipper.

You must recollect that the conditions produced in the oil traffic by the Standard Oil Company and its largest competitors had resulted in such a reduction in freight rates that even the small producer was paying less than half as much as he had been paying five years before. The railway companies, with such reductions in freight rates, anxiously searched for a larger volume of traffic and gladly granted discounts or rebates to shippers who could furnish traffic in larger volume or who could devise some new saving in the cost of transportation.

Other shippers, learning of the advantages accruing to large shippers in the oil business, followed the practice of holding their shipments and forwarding them in carload lots, or several shippers pooled together, so that it was not long until practically all shippers were meeting the same conditions, all claiming the same discount, with the result that the new discount rate soon became the standard rate.

Different shippers found different ways of expediting traffic. Managers of transportation joined with shippers in devising ways and means by which traffic could be expedited or the cost of transportation reduced, whereby discounts could be claimed by the shippers and allowed by the railway companies, in every instance the discount or rebate being based on some salvage or saving to the railway company over its previous cost of shipping; some furnishing more traffic that could be handled cheaper or more expeditiously, or doing something themselves which was formerly done by the railway company, while others devised various savings in the cost of handling.

(*To be Continued.*)

MONEY--BANKING--BUSINESS

Leading Opinions

About Financial, Investment and Business Conditions

"War Benefits Trade"—Sir Geo. Paish

The immediate effect of the war upon American trade and prosperity will be beneficial, for money will circulate as never before, owing to the gigantic purchases of the American government and the Allies, upon the American markets, and business men of all kinds and descriptions will enjoy sales greater than they ever expected to deal with; indeed, the only limit to their business will be the limit of the nation's productive power after calling into play the contribution which the women can make to its maintenance and increase, writes Sir George Paish in *System.*

—N. Y. *Tribune.*

A GUSTY CORNER FOR ROYAL MILLINERY.

In Great Britain the war expenditures have meant that the spending power of the country has risen from something like £2,400,000,000 per annum to about £3,600,000,000, and that the fortunes of private persons have increased as they never increased before. This is shown by the ability of the nation to raise over £2,100,000,000 for war and governmental purposes in a single year, and to provide about £1,500,000,000 of it by the issue of war loans subscribed for by bankers, insurance offices, business firms, and private persons. War means trade activity, not depression; the depression is more apt to come after the war when the destruction of life and of wealth by war is keenly felt.

Armour's Food Problem Solution

Increased production of food, the great need of the Entente Allies and the United States, waits on improvement in the nation's distributive system, according to J. Ogden Armour.

Mr. Armour who is recognized as one of the leading authorities on food purveying, says the farmers of this country will demonstrate their ability to grow food in abundance as soon as they are assured against glutted markets and ruinous prices at harvest time. He would solve the problem by increasing and improving the facilities for cold storage of such foods as can be kept in cold storages and for developing processes of drying or otherwise preserving other foods, thereby assuring an adequate supply of food at all seasons of the year. By putting the food business of the nation on the same sort of efficiency and economy basis that characterizes the big packing industries of the country, Mr. Armour believes the food problem in its entirety can be solved.

On the methods to be pursued by the farmers in their effort to increase production Mr. Armour presents the formula, "diversify, fertilize, motorize, specialize." He advocates the fixing of a minimum price to protect the farmer and of a maximum price to protect the consumer.

T. P. Shonts On Interest Returns

Writing on the subject of "How Transfers Reduce Income on Traction Lines," Theodore P. Shonts, President of the New York Railways Co., makes the following interesting observations on

what constitutes a fair return on invested capital.

The entire nation through Congress and the President has recently recognized eight per cent. as a reasonable return in the excess profits tax law.

The city of New York recognizes 8 76/100 per cent. as a proper return and contracts to receive that return upon its money invested in the new Interborough subways.

Six per cent. is the legal rate of interest in New York for loans upon real estate mortgages. Certainly money invested in the service of the public is entitled to greater compensations in view of the greater business risks, than one can get from a farm mortgage.

It is quite immaterial how the return shall be distributed among the owners of the several classes of securities. The public does not care whether a large rental is paid for one line in the system and a small rental for another, or how the bond interest is distributed as between the different lienors, so long as in the aggregate the public is not asked to pay more than a reasonable return.

Certainly less than four per cent. is not a reasonable return upon nearly one hundred million dollars of securities representing the principal street surface railroad property in the city of New York.

"Coal Enough For All"—Sec. Lane

The production of coal in the United States last year was the greatest in the history of the country. A new record, however, was set for the first six months of 1917, fully 270,000,000 tons of bituminous coal being produced since January 1, thus exceeding the output of the first six months of last year by about 20,000,000 tons, says Secretary of Interior Lane.

"Despite the extra demand in this country and the urgent needs of our allies, no one with the facts before him can doubt that the coal industry, under the careful guidance of those now directing its welfare, will be able to supply all needs.

"The difficulty of distribution, now so great, will be intensified, however, in the coming winter months. Just as consumers of foodstuffs are being urged to eliminate all waste and to practice sensible economy, so the consumers of coal must do their share in working out the coal problem by unloading every coal car as fast as it is received, and in improving their plants so as to utilize to the fullest the heat value of the coal that reaches their bins. In stopping the coal panic and in expediting a condition of fuel sufficiency, every consumer can do his bit."

Much Capital For Investment

There is no question about there being a tremendous amount of money awaiting investment, and the quickest way to bring this money into the bond market is for us and other investment houses to emphasize from an investment standpoint the attractiveness of high grade securities at present compared with previous prices, accordings to H. B. Baker, a vice-president of the National City Co.

"There is evidence already of improvement in the bond market situation, and I believe we shall do a fair amount of business between

—N. Y. Eve. *Mail.*

OUR PROFESSIONAL MOURNERS.

now and the next government loan issue, which is expected to appear about October 1. The business placed on our books after the Liberty Loan campaign started came of its own momentum, of course, as our efforts were devoted entirely to selling the war bonds. We had quite a number of investors come to us during that period and say that when the Liberty Loan was out of the way and when it would not look unpatriotic they wished to discuss new business with us, and we have now begun to get new business.

"An important feature of the situation to remember is that bond prices already have heavily declined, both from the high point of this year and the level a year ago. While we have no guarantees against further declines before the war is over, past financial history shows that high grade bonds purchased anywhere near their present yields have eventually shown

a profit when business does slow down. The investor is protected as long as he assures himself as to the safety of the principal."

S. D. Warfield on the Rate Decision

In his analysis of Commissioner Harlan's opinion in the 15 per cent railroad rate case President Warfield, speaking for the National Association of Owners of Railroad Securities, says that it

—N. Y. *Times.*
GETTING HOTTER EVERY MINUTE.

"stands out as one of the most important public documents of years. He looks far beyond the mere 'reasonableness' of a railroad rate when he designates it a public question affecting the people as a whole and one which should be so treated.

"The contention of the owners of the railroads at the hearing before the Commission was based on that issue and we should now proceed to vigorously follow it up. At a time like this, to be compelled to await the settlement of so important a question, in competition with some objector with such lack of vision as not to see that the action he is taking is against the prosperity of the entire country and is stunting his own business growth, is incomprehensible. The government's duty is clearly and distinctly to administer for the benefit of the people as a whole. If the Interstate Commerce Commission is not to remedy a condition which Commissioner Harlan states, is one of present danger with the possibility that it may even become disastrous during the war period, it cannot be possible that a warning such as this coming from one so long and so well known as an authority in such matters will be disregarded and not find lodgment in some governmental quarter."

Second Liberty Loan in Sept.

A three billion dollar issue of United States Government war bonds bearing interest at the rate of 3½ per cent will probably be offered to the public on September 15, according to well informed opinion in New York banking circles.

Publication of a report to this effect brought forth a quick denial from Secretary McAdoo that the date or amount of the second Liberty Loan had been decided upon, but the prevailing sentiment here is that, while final decision may not have been made, present intentions of the Treasury Department point toward a settlement of the details as stated. Formal announcement of the terms and other conditions of the loan is expected to be delayed for some time, it being recognized that contingencies may arise which would alter the plan to offer the loan on September 15 and would affect the amount of the issue.

It is pointed out that a $3,000,000,000 loan would be in accordance with the estimates by Government officials that the expenditures of the United States, including the financial support extended to its Allies, would be approximately at the rate of $10,000,000,000 a year. Advances to the Allies have already anticipated full payment on Liberty bonds and the necessity for another issue in the autumn has been apparent from the outset. There is a strong feeling among prominent bankers and bond men that it would be advantageous to start the campaign shortly after Labor Day rather than postpone it until a later date.

Three More Billions for War

War appropriations of about three billion dollars, in addition to the enormous sums already appropriated or sought, will be asked of Congress in estimates which Administration officials have given notice will be submitted.

All the appropriations contemplated for war

purposes in the near future will be grouped in a general deficiency bill, a draft of which already is under preparation by the House Appropriations Committee.

The exact total is uncertain, as some big items are yet to be submitted, but there is no question in the minds of the Congressional leaders that they will foot up close to the three billion dollar mark. That would bring the total appropriations, exclusively on account of the war, at this session of Congress, including loans to the Allies, up to about ten billions.

England's War Steel Output

"The war steel output of the United Kingdom has evidently been increasing of late, and fresh efforts have been set on foot lately to effect a further increase. Our entrance into the war is developing heavy requirements by way of equipment, requirements which when filled need not in many cases be duplicated; but the British experience suggests that after such work is done the vigorous prosecution of war requires great tonnages," says the *Iron Age*.

The British Minister of Munitions is urging a plan whereby the production of iron ore in England is to be increased sufficiently to increase the steel output by 3,000,000 tons a year. He expects the first million tons to be added by the end of September, and hopes that the whole 3,000,000-ton increase will have occurred within a twelvemonth, according to an address he delivered at Kettering in Northampton shire.

Necessity for Good Credit—H. S. Firestone

To maintain a business in balance is not easy, writes H. S. Firestone, president Firestone Tire & Rubber Co., in *System*. It is difficult for me, even today, to balance my business. I have recapitalized several times, and each time I have thought to myself:

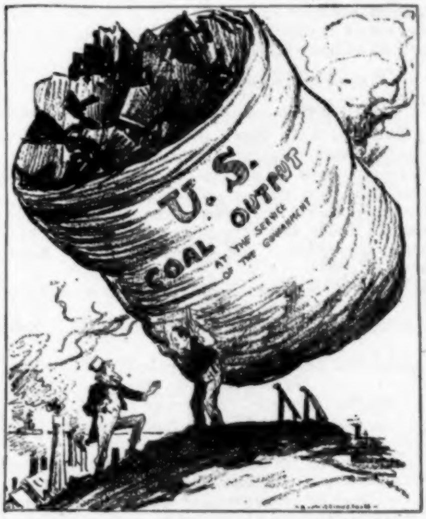
"What shall I do with so much money?" Almost before I realized it, the business had absorbed it. It is this feature of speedy absorption of capital that the experienced business man, as well as the man new to business, must watch. It is the common fault of the man new to business to underestimate the necessity for capital. He should realize this and should emphasize the fact to himself often enough to avoid unnecessary difficulties.

"The most important fundamental asset of the man who would succeed in business is credit. With good credit to begin with, chances for ultimate success are better than with simply ready money, for good credit will enable a business man to solve the money problem and to establish a financial bulwark against the needs of the future.

"When a man goes into business for himself he should lay his affairs before his banker. And when he needs more capital he should make a plain, honest statement of every detail to his banker, because the man is capable of being, financially speaking, his best friend."

July Disbursements Total $318,843,079

Figures compiled by the *Journal of Commerce* show that in July a total of $318,843,079 will be paid to investors, representing dividend and interest dis-



—N. Y. *Mail.*

PATRIOTISM BEFORE PROFITS.

Coal Operator: "Where will you have it, Uncle?"

bursements by railroad, traction and industrial corporations, banks and trust companies, the national government and the city of New York.

This is a new high record total for this period and compares with $285,461,162 in the same period last year. Next month the sum of $119,371,535 will be distributed among stockholders in the way of dividends, as against $100,851,155 in 1916. This remarkable showing is due in large part to Red Cross dividends, as well as to increases and extras, by corporations representing many industries, such as munitions, explosives, steel, copper, oil, sugar, steamship, dyestuffs, chemicals and textiles.

War Business To Be Restricted

Any undue strain upon the industrial fabric which might compel still more extreme prices might undoubtedly cause a reaction in the United States, writes the Washington correspondent of the *Journal of Commerce.*

It is for this reason largely that the Administration is taking every precaution available to prevent such an occurrence. The President has issued the preliminary draft regulations. Further regulations governing exemptions may be expected at any time. From these it is learned that it is the intention of the Administration to draft the first national army with as little disturbance to labor conditions as possible. If the national army can be recruited without causing a strain in the labor market it is felt that the first important step will have been taken.

Expert Financial Opinion

National City Bank of New York.—During the past month the general bond market has continued in a state of lethargy as the result of the closing of the Liberty Loan. Recently there has been some awakening in specific issues, but very little new financing has been attempted. The following issues have been offered:

$15,000,000 Baltimore & Ohio One and Two Year 5% Notes.
2,250,000 Oklahoma Gas & Electric 6% Notes.
2,500,000 Southern California Gas Co. First Mortgage 6% Bonds.
1,000,000 Consumers' Power Co. of Michigan First Lien & Refunding 5% Bonds.

The effect of the Liberty Loan on the municipal market has been watched with a great deal of interest and dealers have displayed more of a tendency to make commitments during the past few days. There is, however, a great deal of municipal financing hanging over the market, and it is not likely that a very broad demand will develop.

Henry Clews & Co.—On the Stock Exchange there is a less hopeful feeling, notwithstanding continued business activity, easier conditions in the money market and further gold imports. The financial district regards in a favorable light the less stringent war tax bill which is expected to raise $1,670,000,000 instead of $1,800,000,000 as at first calculated, also another favorable factor was the successful resumption of the Russian offensive after a long period of inactivity and doubt. This dispelled all fear of a separate peace while the continued inability of the Germans to resume the offensive encourages hopes of an early termination of the war, which will be greatly hastened by our participation. The safe arrival of American troops in France and the vigorous aid of the United States in financial and industrial directions constitute a very potent factor in hastening peace.

Shonnard, Mills & Co.—Those who are in a position to make commitments in the market, but who are hesitant about buying industrials, should turn to the rails. Despite the low estate to which railroad stocks have declined market wise, bankers have continued to regard them as the best possible security for bank loans. We recommend Chesapeake & Ohio, Missouri Pacific and Union Pacific.

National City Bank of Chicago.—The labor problem is becoming each day more serious. As a rule there has been a spirit of excellent co-operation manifested between the labor union leaders and the Government officers in the effort to expedite all Government work and prevent the reduced production caused by strike interferences. In some industries, however, labor is very restless, and notwithstanding successive advances already granted, there has been an inclination to make further demands of an insistent nature. Such a disturbance has threatened the shipbuilding industry at a time when record production is a matter of great importance.

Odd Lot Review.—Does $120 per ton for eight representative steel products represent sound, healthy business? It certainly does not. Such a price represents feverish, dangerous business. There are many factors in the steel industry which justify high prices. Interference with the natural laws of price by uninformed authority will probably work greater havoc than unlimited price gymnastics. Fortunately for the general good of the country, the activities of steel stocks have not kept pace with the rise in the prices of steel products. Compared with prices which are being paid for steel products, steel stocks are still ridiculously cheap. And it must be set down to the credit of the heads of the leading steel executives that only a slight margin of earnings has been paid out in dividends.

Moore, Leonard & Lynch.—The month of July has in the past proved to be a very poor month to accomplish anything on the constructive side of the stock market. It looks as though July this year will be no exception and that a more or less professional market will prevail for a while. The freight rate decision was a distinct disappointment to Wall Street, and was the cause of considerable liquidation, not only in the rails, but in the industrials as well. It is well to recollect, however, that several roads have been showing excellent earnings in spite of increased expenses, and appear now to be selling at prices which can hardly be considered inflated. Atchison, Southern Pacific, Missouri Pacific, Northern Pacific, Southern Railway and Reading are all reporting favorable earnings.

The Business Situation

Changes in the Bank Statement—Money Outlook—Business Active, But Demand Less Keen

OWING to changes in the methods of computing reserves, and to the very large transactions with the Government in connection with the Liberty Loan, recent bank statements have shown wide changes which had very little significance as affecting the money market.

The method of compiling the New York bank statement finally adopted last Saturday eliminated entirely from reserves the cash held in their own vaults by members of the Federal Reserve Bank, amounting to about $110,000,000. Under the amended banking law, this is counted as "till money" only and is not a part of required reserves. Legal reserves consist only of the banks' deposits with the Federal Reserve Bank.

Compiled in this way, excess reserves for the entire Clearing House, including the trust companies, were only $36,000,000; but the excess would have been about $146,000,000 if the banks' own cash in vaults had been included.

The "till money" of National and State Banks was a little over 5 per cent of deposits. In case of necessity it could be reduced below that level by substituting Federal Reserve notes for other forms of money, which would thus be released for deposit in the Federal Reserve Bank, where they would count as reserves.

Therefore the position of the banks as regards reserves is fairly comfortable. Moreover, the whole banking situation is now so directly under the control of the Federal Reserve Board because of war necessities, that little fear of stringent money rates is entertained. The Board still has ample means at its disposal for keeping the money market on an even keel.

	Average Money Rate Prime Commercial Paper New York	Average Money Rate European Banks.	Per cent Cash to Deposits New York Clearing-house Banks.†	Per cent Loans to Deposits New York Clearing-house Banks.*	Bradstreet's Index of Commodity Prices.	English Index of Commodity Prices.
July, 1917..........	4¾	5	†5.3	98.9	16.07	....
June, 1917..........	5⅛	5	9.8	104.0	15.47	5,412
May, 1917..........	4⅝	5	12.4	97.0	15.12	5,379
July 1916..........	4⅛	5⅝	14.3	97.0	11.53	4,213
" 1915..........	3⅝	5	19.3	94.5	9.87	3,250
" 1914..........	4½	3⅝	26.0	97.0	8.65	2,549
" 1913..........	6	4⅞	26.6	99.1	8.95	2,669

*Affected by the new Federal Reserve System. †Till money only now required.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thous'ds)	Business Failures Total Liabilities (Thous'ds)
June, 1917........	26,734	10,635	....	......	......	14,100
May, 1917........	26,319	10,736	Exp. 5,435	Exp. 270,415	38,694	12,943
June, 1916........	20,597	8,044	Imp. 114,422	Exp. 218,890	63,612	9,960
" 1915........	14,122	6,096	Imp. 49,519	Exp. 110,852	40,206	19,078
" 1914........	13,948	6,103	Exp. 44,290	Imp. 457	51,929	58,233
" 1913........	13,709	5,955	Imp. 2,817	Exp. 32,159	48,978	17,392

	Wholesale Price of Pig Iron*	Production of Iron (Tons) (Thous'ds)	U. S. Steel Co. Unfilled Tonnage (Thous'ds)†	Price of Electro. Copper. Cents.	Crop Conditions: Winter Wheat	Spring Wheat	Corn	Cotton
July, 1917...	50.00	....	.....	31.5	75.9	83.6	81.1	...
June, 1917...	45.25	3,270	11,383	32.6	70.9	91.6	...	70.3
May, 1917...	41.90	3,417	11,886	32.3	73.2	...	...	69.5
July, 1916...	16.90	3,212‡	9,640‡	23.9	75.7	89.0	82.0	81.1‡
" 1915...	12.71	2,381‡	4,678‡	18.8	84.4	93.3	81.2	80.3‡
" 1914...	13.30	1,918‡	4,032‡	13.2	94.1	92.1	85.8	79.6‡
" 1913...	13.75	2,628‡	5,807‡	14.2	81.6	73.8	86.9	81.8‡

*No. 2 Southern at Cincinnati. †End of mo. named. ‡June.

The Crisis in the Motor Car Industry

Sensational Declines in the Motor Stocks and the Reasons—Necessity for Adequate Working Capital or Strong Banking Support—Present Status and Outlook

By W. W. CRAIG

THE automobile industry, driving fast on the impetus of two years' large profits, has been braked down hard at a cross roads. The way straight ahead is full of bumpy spots which promises rough going for units not equipped with either or both of two highly important adjuncts—adequate working capital and strong banking support. So sharply have conditions changed in the last few weeks that it is no longer a matter of choice whether certain companies shall stay in the main road or make a detour. They have had to swing off at the cross roads.

Saxon Co.

The Saxon Motor Car Corporation supplies an illustration for the metaphor. Last year the company produced and sold 25,449 automobiles, and the demand when the fiscal period ended on June 30, was so pressing that plans were made to strive for a 40,000-car production in 1917. Out of excellent earnings, the management declared a dividend of 1½ per cent in May, 1916, and later raised the quarterly disbursement to 1¾ per cent. These steps were justified by the rate of income, and it would hardly be in any one's province to question the judgment of the directors in sanctioning a greatly increased output for the ensuing year, even in the light of recent events.

In order to make more cars it was necessary to contract in the second half of 1916 for material to be used in 1917. Things looked rosy enough and continued in the same hue until the United States entered the war in April last. In fact, the corporation apparently received nothing more than a temporary setback in February when a fire destroyed completely the assembly plant at Detroit, for within three weeks the output had been brought back to a level close to normal through the operation of a new plant close by. It was the declaration of war which jolted the Saxon company's business in no uncertain fashion, yet shipments continued at a high rate until around June 1, as the dealers had contracted for cars up to that date.

The dealers took the cars on old contracts, but they were not eager in placing fresh orders. The effect of the war declaration had come home to them long before. The public was retrenching, and pleasure cars were hit by the process and hit hard. From June 1 on the tide of dullness backed up to the factory in increasing volume. The Saxon is an assemblying company in entirety, i. e., all parts of its product are made by other concerns under the company's specifications. Material poured in and had to be paid for, and as the outgo in cash was by no means being offset by the inflow of proceeds from fresh sales of automobiles, the company had to levy more and more heavily upon its accumulated funds which, presumably, were not sufficient to carry the load. A creditors' committee was appointed in Chicago a

few days ago, consisting of representatives of several makers of motor parts and banks of that city and Detroit.

Chalmers Motors

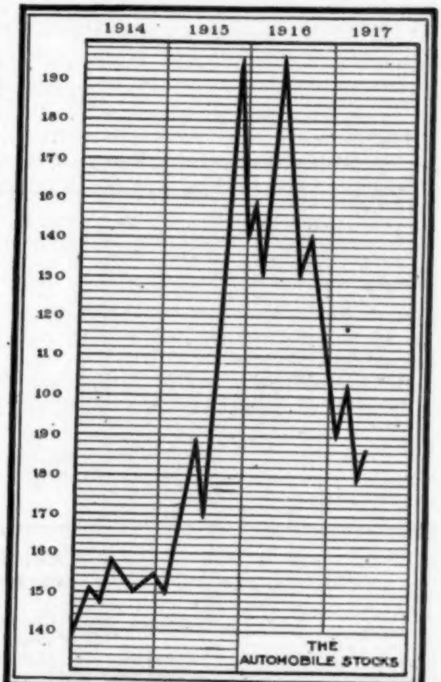
Again, take the experience of the Chalmers Motor Company, whose stockholders consented the other day to a rearrangement of the stock, which, looked at directly, amounted to an assessment of $10 a share on their holdings. Prior to last Autumn the company had $5,000,000 common and slightly more than $1,400,000 preferred, which was welded into 600,000 shares without par value when a new company absorbed the old. Of the new stock 464,000 shares were issued, 200,000 being set aside for exchange for old Chalmers stock at the rate of four for one, the balance being sold, with the exception of a substantial block taken by President Hugh Chalmers and other insiders of the original corporation, at $35 a share.

It is expected that the stockholders, by paying in $10 a share and receiving new preferred in place of their old stock, will contribute around $2,000,000 to their company's working capital. The assumption is, naturally, that this fresh money will, in the opinion of the management, see the corporation through the period of restricted buying of motor cars, and insure the successful liquidation of stocks on hand.

Some Improvement Noted

Whither is the pleasure auto market tending? The developments cited, while covering the most extreme cases of current stress that have come to light, are not isolated. First-hand evidence supplied by many producers of automobiles indicate that all, or practically all, felt the same shock after the gauntlet was thrown down before Germany. In the last month improvement has been reported in the demand, without, however, any signs as yet of a return to the extrordinary absorption of last year. The improvement is looked upon in some producing quarters as the reaction from the early talk of prohibitive tax on automobiles as a war revenue measure; in others as a reflex of the great success of the Liberty Loan. There are automakers who believe that once the relations of business and Government becomes stable, in respect to profits, the public will again seek the quondam channels for money outlet, and the auto trade will prosper. There are others who look ahead with doubt at the pending Government war bond issue of the Autumn, and sense with dissatisfaction the spirit of economy everywhere present.

The stock market is generally believed to anticipate to a far greater extent than it follows economic happenings. If this



be the case, the motor stocks of late have been actively discounting unfavorable factors in the automobile business. The Street has seldom seen such a marking down of quoted values as the auto shares have gone through this Summer. The drop of Saxon from high in the 40s to 15 in a few market sessions has been explained, and also the movement of Chalmers stock from 35 down to a reluctant bid price of 5. But how about Studebaker, from around 80 to 54¼ in ten days or so?

Studebaker

The Studebaker Corporation is well supplied with working capital, as far as is known, thanks to the foresight of the management in borrowing heavily from its bankers immediately after the country entered the war. The loan was understood to be in the neighborhood of $8,000,000 and, while it bolstered up the company's finances, it certainly added nothing to the stability of the 10 per cent. annual dividend. The fall of the stock, despite the recovery scored since, is thought to presage a cut in the dividend, but the question arises whether or not it did not mean something beside, to wit, the puncturing of an overenthusiastic speculative boom in the stock.

The company's earnings have covered the dividend with a big margin right along, and it is probable that this year will be no exception in this particular. Earnings by themselves do not tell the whole story, and the paying of a high return to stockholders by no means sets an investment criterion. This brings to mind comment on Studebaker stock made in these columns by Mr. Norman Merriman in December, 1915, when the shares were being sped on their way to the maximum quotation of 196.

An Accurate Prophecy

"At the present time," wrote Mr. Merriman, "the purchase of Studebaker cannot be viewed in the light of anything but a speculation, for we do not *know* whether the company's earnings justify the present dividend rate, nor have the reports for previous years shown anything to give reasonable justification for the permanence of such a dividend rate. The writer does not mean that the company may not show earnings amply justifying the present price of the stock. It is merely because of the uncertainty of the matter that he advises caution. The rise may have been due chiefly to the buying of the public at reckless prices, or it may have beer

TABLE I

EARNINGS OF LEADING AUTOMOBILE COMPANIES

	1916		Earned on Com. Stock		1917	
	High	Low	1916 %	1915 %	High	Low
Chandler	131	88	24.52	...	104¾	67
Chevrolet	278	146	11.08	2.58	.....	88
Gen. Motors	135	120	168.0	81.23	146⅛	98¼
Maxwell	99	44	30.18	6.55	61¾	43½
Saxon	84⅞	63⅞	*23.0	...	68	15
Studebaker	167	100⅛	26.14	27.46	110½	54¼
Willys-Overland	81¼	34	†22.9	45.47	38½	24⅝

*Approximate

†On $16,270,000 more stock than the year before.

TABLE II

ESSENTIAL STATISTICS OF SOME IMPORTANT AUTOMOBILE COMPANIES

	Stock	Goodwill, Patents, etc.	Working Capital	Inventories	Per Cent. of Inventories to Work. Cap.
Chandler	$7,000,000	$5,000,000	$2,575,240	$1,876,983	72.8
Chevrolet	64,004,800	11,958,100	77,601,568	6,854,620	8.8
Gen. Motors	31,496,983	8,289,998	43,664,671	25,100,350	57.4
Maxwell	36,669,647	26,190,470	10,835,517	8,971,356	82.7
Saxon	6,000,000	4,557,229	2,234,800	2,134,327	95.5
Studebaker	41,965,000	19,807,277	24,941,279	21,477,657	86.1
Willys-Overland	52,270,854	14,059,932	36,679,075	38,589,540	105.2

due to insiders buying at what may ultimately prove very cheap figures.

"One feature in particular must be kept in mind, however. That is, briefly, that we are nearing the time when there will be an overproduction of automobiles in the United States. When this time is finally reached those who bought motor stocks at high prices will have reason to regret their purchases."

Mr. Merriman wrote in the spirit of prophecy, and the suggestion bears weight at this time when a slump in motor sales brings recourse to statistics. The Department of Agriculture reported recently that 1,067,332 new automobiles were registered last year and the total under registration in the various States when 1916 ended was 3,512,996. It is figured that the American public bought cars last year at the rate of one for every eighteen families. Those same families this year are paying higher prices for their necessities than last, and, more than that, the demands of a Government and a people at war are increasing the problem of the family purse.

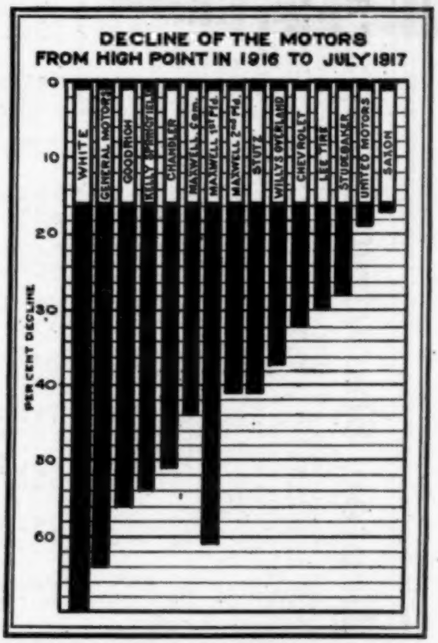
Sufficient light has not yet been shed on the motor car market generally in recent months to permit of a forecast of the full year's results. The first six months fail to supply a basis of calculations for the second half of the year for the reason that most of the producers did a good business up to June 1, at least, and the slump in case of some companies was not suffered to an equal extent by others. The Willys-Overland Company, for instance, reported for June the best month for deliveries in its history, with a gross business in excess of $11,000,000. The Chandler Company, according to reports from reliable quarters, was only temporarily affected by the war and taxation and shipments in recent weeks have been at practical maximum figures.

Question of Staying Power

At the present time, the question of staying power seems to be the dominant influence in the trade. The General Motors Company, probably the strongest unit in the automobile field, learned its lesson in this respect in 1910, when the imagination of W. C. Durant soared beyond the limitations of the organization's financial resources and the absorptive capacity of the motor field. Nothing has been heard in the current crisis of inadequate working capital for General Motors, nor for the Willys-Overland Company, nor the Chevrolet, nor Chandler, nor certain other less well known concerns. While some of them, of recent capitalization, still hold a great deal of "water," it is thickened with sufficient cash and quick assets.

Speculative "Edge" Off

That drastic revision of the motor stock market has occurred is evident by



the records set forth in an accompanying table. It is clear enough that much of the "edge" of last year's speculation has been removed, but whether the paring down process has gone far enough is something which only trade developments will show. A study of balance sheets proves beyond doubt that certain of the producing companies have room for the addition of a substantial amount of assets to make their stocks' par value compare favorably with the real value behind them.

Bargain Indicator Showing Comparative Earnings

Note.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Industrials	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Butte & Superior	$5	10.0	.....	.....	.....	3.47	5.21	33.37	30.57*	40	73.92%	Profits during first quarter show falling off.
U. S. Smelt. & Ref. com.	5	10.0	4.46	6.48	14.42	10.08	3.21	27.85	40.99	60	68.18	Earning at rate of $14.91 per sh. on com. per yr.
New York Air Brake	10	7.4	4.48	0.48	5.72	6.55	6.41	13.43	82.15	136	60.40	Regular business good.
Bethlehem Steel com.	10	7.4	6.45	6.69	6.86	27.45	32.59	112.49	82.25	136	60.40	Offered to build 100 steel ships for Government.
Maxwell Motor com.	10	20.0	.....	.....	.....	.....	0.30	6.55	30.18	50	60.36	Dividend not regarded secure.
International Mer. Mar. pfd.	0	0.0	8.27	8.15	7.32	4.44	.....	26.26	51.23	88	58.21	Accumulated dividends amount to over 80%.
Amer. Zinc com.	4	12.9	9.16	8.90	8.10	.....	1.53	54.92x	16.00	31	51.60	Dividend deferred.
Crucible Steel com.	0	0.0	7.39	3.37	6.81	12.84	.....	5.39	45.89	86	51.15	Earnings at rate of $2,000,000 per month.
Amer. Loco. com.	5	6.9	1.34	7.26	0.47	17.74	1.30	.....	36.08	72	50.11	Decrease in earnings of 14% expected on com.
Distillers' Securities	2	9.5	2.40	2.95	1.62	1.17	2.28	4.64	10.30	21	49.09	Earning more than 6% after bond interest.
Studebaker com.	10	16.3	.....	.....	4.89	3.11	12.71	27.49	26.14	61	42.85	Maintenance of 10% dividend not likely.
Cuba Cane Sugar com.	0	0.0	.....	.....	.....	.....	.....	.....	17.36	43	40.37	Dividends on common not likely in 1917.
General Chem. com.	8	3.6	19.52	19.77	21.72	19.19	18.73	44.27	86.76	221	39.25	Business good.
Railway Steel Spring com.	5	9.3	6.00	0.18	5.77	1.31	.....	3.09	20.49	54	37.94	Running at full capacity.
U. S. Steel com.	5	3.9	12.23	5.92	5.71	11.02	.....	9.96	48.48	128	37.87	Surplus after charges for first half at rate $62 on common.
Central Leather com.	5	5.6	.....	.....	8.58	5.18	6.41	10.82	33.14	90	36.82	Extra dividend of $2 on common disappointing.
Gulf States Steel com.	8	3.1	.....	.....	.....	.....	.....	10.17	43.59*	124	35.15	Action to be taken on retiring $2,000,000 1st pfd. stock.
Greene Cananea Cop.	8	19.1	.....	.....	4.31	2.33	1.97	1.04	14.10	42	33.57	Mexican situation affecting mines.
Nevada Consolidated Cop.	2	8.7	1.45	1.85	2.18	1.45	0.74	2.78	7.50	23	32.69	May production equals 7,239,978 pounds.
Barrett & Co. com.	7	6.5	.....	11.66	11.11	15.61	10.31	21.19	32.10	108	29.72	Three months profit to March 31, $544,760.
U. S. Rubber com.	0	0.0	10.24	2.19	6.00	12.19	9.18	10.80	17.75	61	29.09	Earnings affected by increased costs.
Inter. Paper pfd.	6	8.5	4.54	4.61‡	5.35	4.44	5.08	5.44	20.62	71	29.04	Financial readjustment plan assured.
Amer. Steel Foundries	5	7.1	.....	6.00	.....	4.53	6.01	.....	19.89	70	28.41	First quarter earnings at rate of $55 a share.
Am. Woolen com.	5	9.3	2.23	2.12	2.01	.....	.....	6.40	15.32	54	28.37	Working at capacity.
Amer. Smelt. & Ref. com.	6	5.6	7.09	10.90	11.47	7.47	6.51	16.80	29.75	107	27.80	New Mexico coal land acquired.
National Enam. & Stamp. com.	4	9.5	0.99	1.09	.....	1.05	.....	2.02	11.60	42	27.61	Last 3 mos. profits at rate of $29 per sh. on com.
Chino Copper	6	10.9	.....	0.17	2.80	3.51	3.44	7.67	14.76	55	26.83	May production 6,924,457 pounds.
Sloss-Sheffield com.	0	0.0	2.02	.....	0.84	2.09	0.21	0.53	15.22	57	26.70	Earnings at rate of $25 per share.
Ray Copper	3	10.7	.....	0.25	1.33	1.85	1.65	3.08	7.14	28	25.50	May production 8,015,281 pounds.
B. F. Goodrich com.	4	7.8	.....	.....	0.34‡	0.83	5.62	17.17	12.76	51	25.01	Increased costs of production.
Va.-Carolina Chem. com.	3	7.1	10.42	3.11	3.28	0.53	3.39	7.55	10.39	42	24.73	Earnings of $11 on common estimated.
Allis Chalmers pfd.	7	8.4	.....	.....	.....	4.77	.....	6.80	20.00*	83	24.09	Earnings at rate of 21.29%.
Miami Copper	6	14.6	.....	0.74	2.81	1.75	1.65	4.56	9.36	41	22.73	Production at a new high record.

U. S. Ind. Alcohol com........	0	0.0	2.00	4.00	5.00	1.89	1.90	12.60	36.00‖	160	22.50	Good business, continuation looked for.
Continental Can	5	5.0	.....	.....	.....	12.10	4.09	12.10	22.38	100	22.38	Plants at full capacity.
Utah Copper	10	9.1	3.46	3.96	5.35	5.38	5.34	11.03	24.00	110	21.81	Wage increase.
Amer. Agriculture Chem. com.	5	5.3	10.42	9.05	7.34	5.23	7.68	10.97	20.57	94	21.78	Balance of 21% for common probable.
Willys Overland com..........	3	9.4	.....	.....	.....	4.61	4.33	11.34	6.63	32	20.71	Government orders. May shipments increased.
Corn Prod. pfd..............	7	19.4	7.00	7.10	6.89	7.69	7.70	10.59	20.39	99	20.59	5% dividend on pfd. declared on account accumulation.
Westinghouse Elec. com........	3½	6.2	3.75	6.05	3.08	4.10	5.35	2.36	10.21	50	20.42	War orders completed.
United Fruit com.............	8	5.9	26.80	17.41	16.39	14.53	6.19	16.12	27.97	136	20.19	Net profits ahead of last year by 110%.
Pressed Steel Car com........	7	9.3	5.55	0.14	0.76	10.56	0.14	3.60	15.00	75	20.00	8% dividend basis rumored.
Am. Cotton Oil com...........	4	11.4	6.78	.....	6.49	3.38	1.99	7.05	6.99	35	19.97	Higher material costs.
U. S. Cast Iron Pipe pfd......	5	22.7	4.35	3.88	5.69	4.50	.....	2.55¶	10.91	55	19.83	Prices advanced.
Am. Hide & Leather pfd.......	5	7.8	.....	0.80	3.22	3.66	0.83	7.38	12.64	64	19.75	Pfd. holders may receive additional stock.
Inter. Har. N. J. com.........	5	4.5	15.79	15.09	16.18	15.54	14.41	16.19	21.45	111	19.32	Domestic business good.
Am. Can pfd..................	7	6.6	6.85	7.07	15.86	9.66	10.61	12.19	19.31	106	18.21	Large shell profits.
Int. Nickel com..............	6	15.0	4.32	7.75	5.89	4.35	2.80	3.33	6.83	40	17.75	Improvement in strike situation. Fear war taxation.
Pittsburgh Coal pfd..........	5	4.0	7.26	5.14	7.48	10.07	5.06	6.11	11.64	122	17.73	Higher prices.
Int. Agr. Chem. pfd..........	0	0.0	10.05	11.39	11.22	.....	0.65	.....	9.80	56	17.50	Resumption of pfd. dividends predicted.
Cal. Petro. pfd..............	4	3.8	.....	.....	.....	11.69	11.49	7.80	8.44	50	16.88	Earnings good.
Sears Roebuck com...........	8	4.7	20.47	15.96	19.34	21.17	21.30	17.57	26.55	167	15.89	Increased sales.
Am. Beet Sugar com..........	8	8.7	7.11	6.60	8.46	3.87	1.01	7.50	14.30	92	15.54	Duty on raws would help profits.
Amer. Sugar Ref. com........	7	5.8	3.98	15.61	5.23	.....	2.90	4.99	18.46	120	15.38	$1,000,000 damage by fire.
Am. Linseed pfd.............	3	4.8	4.30	2.59	.....	2.96	1.83	6.02	8.82	62	14.22	3% paid July 1.
Woolworth, F. W., com.......	8	6.4	.....	.....	8.73	10.82	10.86	13.19	15.57	125	12.45	Sales increasing.
General Electric	8	5.0	16.69	14.57	16.19	12.88	11.12	11.57	18.31	158	11.59	Business good. Large orders.
Am. Tobacco com.............	20	10.2	86.30	64.40	30.39	28.11	21.00	20.10	22.70	196	11.58	Earnings of $25 per share probable.
Col. Fuel & Iron com.........	0	0.0	3.93	3.21	4.79	4.58	.....	.....	5.97	52	11.48	17½% on common, for year 1917, estimated.
National Lead com...........	4	7.3	4.32	3.59	3.81	3.64	3.73	4.86	6.16	55	11.20	Large business.
Burns Bros. com.............	6	5.9	.....	.....	.....	4.41	8.40	12.11	10.03	102	9.83	Earned $21.28 on com. yr. ended March 31.
Tobacco Products com........	0	0.0	.....	.....	.....	0.30	1.03	2.31	5.44	62	8.77	Earnings large; business good.
Baldwin Loco. com...........	0	0.0	.....	.....	11.49	13.09	.....	7.14	6.10	72	8.47	Booked to capacity.
Nat. Biscuit com............	7	6.5	7.68	9.86	10.00	9.61	11.75	9.52	8.19	108	7.58	Business outlook for year 1917 good.
Pullman Co. com.............	8	5.6	13.93	9.28	8.69	9.29	9.04	8.79	10.32	142	7.26	Dividend covered small margin.
Am. Malt pfd................	4	5.9	1.68	5.29	5.61	2.79	2.29	0.08	4.54	68	6.67	Earnings increasing.
Amer. Car & Fdy. com........	4	5.1	6.63	7.11	2.46	4.09	5.52	0.76	27.37	78	3.50	Large Government order for $35,000,000.
Anaconda Copper	8	10.0	1.62	1.85	3.65	2.61	1.88	7.16	.....	80	8.95	Strikes.
United Cigar Stores com......	8	7.4	.....	.....	5.75	6.83	7.09	7.69	.....	108	7.12	Earnings normal.
Mex. Petroleum com..........	0	0.0	.....	4.89	5.90	11.58	4.68	5.09	.....	98	4.99	Improved earnings in prospect.
Gt. Northern Ore............	0	0.0	1.36	1.53	1.75	0.71	0.54	0.70	.....	33	2.12	20-year lease of $6,000,000 made.

x Paid 12.50 pfd. stock dividend to common holders 1916, thus lowering earning power of com. for 1916 to be announced later.

* Estimated.

¶ Fiscal year changed to Dec. 31. Seven months' earnings to Dec. 31, 1915, increase 2.55%.

§ Six months ended Dec. 31.

† Nine months ended Dec. 31, 1912.

‖ Includes earnings Cuba Distilleries' Co., not included previous years.

Figures of earnings on price and dividend rate which are based on 1915 earnings reflect the 1916 earnings to be announced. All figures below black line based on 1915 earnings—1916 earnings not announced at time of going to press.

Coal Situation and Coal Stocks

(Concluded)

Government Price Satisfactory to Producers—Coal Companies in Line for Record Year—Three Flies in the Ointment—Some Leading Coal Producers

By JAMES SPEED

Part II—Some Important Coal Producing Companies

IN the previous article the reasons for the high prices of coal and the present and prospective large demands for this commodity were set forth. On the basis of these two factors the current coal year promises to be by far the best in the history of the industry. But the coal operators are by no means enjoying such an ideal situation as big demand and high prices would seem to indicate. The coal companies have three very big flies in the ointment, to wit: (1) The possibility of a further reduction in prices through Government action, (2) Difficulty in obtaining sufficient labor and (3) Inadequate transportation facilities.

Why Government price-fixing must be regarded as one of the present hazards of the business is explained by the following extract from a series of articles by Mr. George H. Cushing, Editor of *The Black Diamond*, which appeared in the *N. Y. Evening Mail*:

Small Men—Big Business

"You cannot understand why we fear bureau control of coal until I give you a picture—a common picture in Washington to-day. At the head of one committee to mobilize an industry sat a man of affairs. He had started from nowhere, but by sheer force of brain had forced himself first into the mastery of one concern, then to the head of a great corporation and finally to the leadership of his whole industry. He knows, now, the short road to almost every business goal.

"In Washington he sat at his desk wrestling day and night with the biggest problems that have ever been put before any business executive. His face showed worry that was almost pain. Work had worn his body down. His voice was that of a soul-weary man. Only men of experience could know what an effort to do this job right was costing him.

"Sitting constantly on one side of him was an $1,800 a year bureau clerk. On the other was a $2,500 a year law clerk. They were young, smug, self-contained, and unruffled. Offhand, they were telling this business general how to run his industry.

"The bureau clerk—so I was told—had become an expert in that line because he had sat for four days through an "investigation." Therefore, he knew. The law clerk qualified as an expert because he belonged to the Department of Justice. Perhaps such men know things by instinct."

At this writing it appears that the Government price of $3 per ton at the mine settles, temporarily at least, the matter of Government price-fixing and on a basis satisfactory to the coal operators, and the other two factors, while disturbing, have not become acute enough to preclude the coal companies from making new high earnings records this year to date.

Consolidation Coal

Among the important coal producing companies Consolidation Coal is one whose stock should respond in the event of a development of public interest in this class of securities.

Earnings

During the last eight years the company has earned on the average nearly $10 per share per annum on its stock and on December 31 last had net assets applicable to the capital stock, totaling $25,183,942, or the equivalent of mo than $140 per share. Since the ann statement to the stockholders there has been no official report of earnings b with an increase in production over last year and higher prices for its products it is evident that 1917 is doing better than 1916.

In January the company declared a stock dividend of 5% in addition to its regular quarterly dividend of 1½% and in April of the current year $1,671,-700 of new stock was listed on the Stock Exchange making the outstanding total of stock $40,862,200.

In the February 3 issue of this pub-

lication the affairs of this corporation were considered in some detail and it is therefore unnecessary to go over the ground touched upon in that article. The steady increase in production is indicated by the following figures on output for the last six years:

	Tons
1916	11,107,684
1915	11,722,283
1914	9,562,515
1913	9,959,811
1912	9,238,482
1911	8,231,903

Selling around 104 at this writing the stock of the Consolidation Coal Co. yields approximately 5.7% on its present 6% dividend basis. This can hardly be considered an attractive yield basis for a stock of this character in times like the present and the conclusion is obvious that the issue is selling on a speculative rather than an investment basis.

Pittsburgh Coal

Pittsburgh Coal is far more widely known and therefore enjoys a much greater activity market-wise than Consolidation Coal. Until the present era of high coal prices commenced the company had not been able to show much in the way of earnings on the common stock. In this respect it was somewhat in the class with the Colorado Fuel & Iron Co. In the decade ending with 1916 Pittsburgh Coal had been able to show a balance on the common for only five years and the balances shown were not impressive, to wit: 1907, 3.78%; 1910, .25%; 1912, .41%; 1913, 2.59%, and 1916, 3.91%. Last year, as shown, was by far the best in the company's history and this year promises to set a new high record. For the first quarter of the current year the company showed earnings unofficially reported as $1,500,000 greater than for the same quarter of 1916 which alone would be equivalent to 4.7% on the common stock.

The thing which kept earnings down last year was the existence of several large contracts at low figures. At the present time, all but two or three of these contracts have expired, and the company has had a much larger percentage of its output to sell at better figures. It is figured that earnings for the remaining three quarters of this year should show greater increases than the first quarter showed, but the factors of labor and transportation make it impracticable to attempt an estimate at this time. In common with all the other coal companies Pittsburgh Coal has been much hampered by lack of transportation facilities and the 1917 showing will bear a direct relation to the success the company meets in obtaining an adequate supply of coal cars to handle its output.

The certificates of deposit, which at this writing are selling around 56, are close to the record high price. On the basis of earnings and prospects they undoubtedly would warrant the prediction of higher levels, but the uncertainty as to what action the Government will take in regard to the country's coal supply makes it necessary to observe caution until the matter has been settled.

Pond Creek Coal

Pond Creek Coal's recent declaration of an initial dividend of 50c. per share brings this issue from the speculative to the investment class. This corporation is one of the youngest of the coal companies, having made its debut in 1911 with a capitalization of $2,000,000 6% bonds convertible into stock at 25, and 200,000 shares of stock on which $15 a share was paid in.

The company's development has been slow but certain. In 1914 and 1915 small deficits were shown, but last year the company earned $200,000 available for dividends or the equivalent of $1 per share on its outstanding stock. Production last year totaled 942,000 tons, and during 1916 the stock ranged between 15 and 23 per share. While there are no official figures on the present rate of production, we are in a position to state that it is running ahead of last year and has not yet attained its maximum by any means, having a present capacity of 2,000,000 tons annually, contingent on sufficient labor to get it out.

The directors of the company voted recently to list the stock on the New York Stock Exchange and also decided to call in all bonds outstanding in excess of $1,000,000. Of the $2,000,000 bonds originally outstanding, $400,000 have been retired out of earnings and

the $600,000 remaining in excess of the $1,000,000 which it was decided to leave outstanding, will be called as of December 1, 1917. As the bonds are convertible into stock at $25 a share, undoubtedly many of the bonds will be converted into stock. With the outstanding bonds very materially decreased, and earnings running at the rate of between $9 and $10 per share it would appear that the prospects for a larger dividend rate on the common stock are more than usually bright.

On its present dividend rate and selling at 26 per share, Pond Creek yields approximately 7.7%. Among the coal issues it occupies a particularly favorable position both from an investment and speculative viewpoint.

Island Creek Coal

Island Creek Coal Co., incorporated in 1910, has an authorized capitalization of 100,000 preferred shares, 49,869 outstanding and 150,000 common shares, 118,802 outstanding. Both classes have a nominal par value of $1 per share. On its smaller capitalization, the company has been able to make a much better showing than Pond Creek, its earnings on the common running as follows for the last six years: 1911, $2.34; 1912, $3.77; 1913, $3.11; 1914, $4.66; 1915, $3.30, and 1916, $6.96. Estimates for this year's earnings run from a minimum of $15 a share to a maximum of $30 per share. The company has now reached a position where it does not need to accumulate further cash, and at the last directors' meeting declared a dividend of $2.50 per share on the common stock. As long as the present high prices for coal continue, the stockholders may look for the continuance of the higher dividends.

Conclusion

At this writing it appears that the coal question has been settled on a basis which will allow the coal operators a very satisfactory profit on their outputs, which in itself is a bullish argument on the coal stocks. But the matter of transportation is a vital one and yet to be solved. As a leading coal man pointed out to the writer it would be far more satisfactory to the operators to sell their coal at $3 a ton at the mine and be assured of a steady outlet, than to sell the same coal at $6 a ton and be able to obtain enough cars for only two or three days' production each week.

It is hardly to be expected that the coal stocks will move counter to the downward trend of the general securities market which now appears to be developing, but in this connection it is of interest to note that the coal, iron and steel stocks were the only ones to advance in England in the declining market prices which followed in the wake of the great war. That security prices in this country will follow the trend of of the English markets would indeed be a hazardous prediction, but at least it appears that when the market has reached the turning point in its present decline and is again on the upswing, that the coal stocks should be in a position to participate in that upward movement.

ESSENTIAL STATISTICS ON FOUR IMPORTANT COAL PRODUCING COMPANIES.

	Outstanding Capitalization		Outstanding Funded	Earned per Share (Com.)			
	Pref.	Com.	Debt	1916	1915	1914	1913
Pittsburgh Coal	$27,071,800	$32,000,000	$13,989,000	$3.91	...	..	$2.59
Consolidation Coal ..	*40,862,200	....	34,253,500	16.2	10.1	8.0	9.8
Island Creek	†49,869	118,802	....	6.9	3.3	4.6	3.1
Pond Creek	*2,000,000	....	$1,750,000	1.0	...	..	...

*One class.
†Shares.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor.*

RAILROADS

B. & O.—Kuhn, Loeb & Co. and Speyer & Co. announced that the $15,000,000 B. & O. R. R. Co. one and two year 5% notes offered by them have all been sold.

B. & A.—The Mass. P. S. Com. granted this company a general 15% raise in bituminous coal and coke rates, effective at once. Increases in rates for all other commodities were suspended until Oct. 28, 1917, unless otherwise ordered by the commission.

Buff., Roch. & Pitts.—Earnings show May gross as $1,291,602; net after taxes, $219,582; surplus after charges, $113,867; and a five months gross, $5,438,203; net after taxes, $827,512; surplus after charges, $473,502.

Canadian Northern.—The $2,700,000 Canadian Northern Ry. one year 6s have all been sold. These notes are to refund an issue of $3,000,000 notes due July 10 and have the same collateral as under that issue, consisting of first mortgage bonds of the Canadian Northern Ry., guaranteed principal and interest by the Dominion of Canada or Canadian Provincial governments.

Canadian Pacific.—Gross earnings in May were 15.1% higher than a year previously, but operating expenditure increased 21%, and the gain in gross was reduced to 4.1%. Comparative figures for the month since 1910 show a substantial month in both gross and net over the best previous performance by the company. For the five months the company's gain in gross earnings over the corresponding period a year previously equals 13.1% and the gain in net 7.4%.

Chicago & East. Ill.—Receiver Wm. J. Jackson, of this company, stated that he would pay at the office of the Equitable Trust Co., N. Y., on July 1, 1917, the semi-annual interest due on $6,000,000 outstanding receiver's certificates issued by him and bearing date July 1, 1916, as the court has set July 17 as the date of sale of the property, and as an early reorganization is contemplated.

Chi., Mil. & St. P.—The N. Y. Stock Exch. has listed $25,000,000 additional of this company's mortgage 4½s making the total amount authorized $43,089,000. The heavy decrease in net earnings for the first five months of 1917 as compared with the statement for the corresponding period in 1916 and the denial by the I. C. C. of the 15% advance in freight rates were partially responsible for the lowest quotation for St. Paul stock for a period of pratically 20 years. For the month of May alone, an increase was shown both for gross and net as compared with the corresponding month in 1916.

Chic. R. I. & P.—The N. Y. Stock Exch. has stricken from the list, the first mortgage 6% bonds, due July 1, 1917.

Lehigh Valley.—May net income showed much smaller decrease by comparison with a year previously than did the earnings of preceding months in 1917. The decrease for the five months is scarcely more than it was at the end of four months. That the margin over the present dividend requirement is small is evident from the fact that in the current fiscal year to date net income is $1,445,428 less than in the same period of 1916, the decrease being an amount equal to about 2¾% on Lehigh Valley's $60,500,000 stock. In the old fiscal year, which ended June 30, the road earned 12.65% in 1915-16; 10.43% in 1914-15; 11.66% in 1913-14, and 14.5% in 1912-13.

Louisville & Nashville.—Contracts have been awarded for the construction of the Lott Creek branch of the L. & N. below Whitesburg, Ky., into a rich undeveloped coal field in Perry County. The new branch will be about 12 miles long.

Mo. Pacific.—Application has been made to list Mo. Pac. Co., $24,238,000 1st and refunding mortgage 5% bonds, Series A, due Feb. 1, 1965; $13,641,000 1st and refunding mortgage 5% bonds, Series B, due Jan. 1, 1923; $9,044,000 1st and refunding mortgage 5% bonds, Series C, due Aug. 1, 1926; $51,350,000 general mortgage 4% bonds, due March 1, 1975; $82,839,500 trust certificates for common stock; $71,800,100 trust certificates for pfd. stock.

N. Y. Central.—The Ohio Supreme Court turned down the application of James Pollitz and Clarence H. Venner, minority stockholders of N. Y. Central, who asked that an order of the Ohio P. U. Comm., authorizing that railroad to issue $5,914,300 common stock be set aside as unlawful.

New Haven.—Not only will the N. Y., N. H. & H. attain certain economies and improvement in operating conditions through the elimination of 200 passenger trains on June 25, but it is seeking similar results through rearrangement of freight trains. Freight service to some points is being curtailed, and to others increased, and in many instances freight trains are being consolidated, giving some small localities one freight a day, where formerly they had two. The New Haven has comprehensive embargoes in effect on many classes of freight

from connecting lines, with the exception of freight consigned to or for use of the Government, its allies or the American Red Cross Society. Gross revenues for May increased $472,389, the total for the month being $7,338,617. Operating expenses and taxes, however, jumped from $4,665,646 to $5,268,814, leaving a railway operating income of $2,069,803, a decrease of $130,780. Other income brought the aggregate net up to $2,243,024, from which was deducted $1,840,866 in interest, rentals, etc. The final surplus was $462,157, against $592,515 in May, 1916.

Norfolk & Western.—Established a new high record for its operating revenue in May. Were it not handling so large a volume of business the net returns earned for stockholders would suffer, because of the severe rise in units of operating cost; but N. & W. is better off than many weaker roads, as it has been able to keep up its net ncome well in the first five months of 1917.

Northern Pacific.—Pres. J. M. Hannaford states: "Traffic is well distributed over all divisions and there are no visible signs of any let up in the freight offerings. I believe that prosperous times are ahead in the Northwest. All branches of industry and commercial interests are active. Earnings are showing favorable gains compared with the corresponding period a year ago. Throughout the current year thus far our figures have been well above the average. Contrary to reports, the physical condition of our road did not suffer unusual damage from the severe winter and more recently by washouts. If that had been the case, our monthly statements would have reflected the conditions.

Pennsylvania.—Placed an order for 2,225 freight cars at its Altoona car shops. In placing its order the company indicated its purpose of having all the equipment possible in preparation for the war emergency.

Pere Marquette.—Declared a dividend of $1.66⅔ per share on the prior lien preference stock for the month of April, May, June and July, payable Aug. 1 to holders of record July 18. The transfer books will not be closed. It was determined by the directors that future dividends upon the prior preference stock if and when declared be payable quarterly on the first days of February, May, August and November. This is the first dividend declared on this issue. The N. Y. Stock Exch. has stricken from the list Pere Marquette Ry. temporary first mortgage 5% bonds, Series A, due 1956.

Pitts., Cin., C. & St. Louis.—Declared a dividend of 2½%, payable Aug. 30 to stock of record Aug. 20. This is the first dividend of the new company which absorbed several western lines in the Pennsylvania R. R. system. The pfd. and common stocks of the old company were exchanged for the stock totaled 5% on each class of stock of the old company. While the dividend declared was announced as "a dividend," it is assumed of the new company. In 1916 the dividends unofficially that the stock of the new company is on a 5% basis unless business conditions should change materially in the ensuing six months, as dividends on the pfd. and common stocks of the predecessor company were paid semi-annually in recent years.

So. Pacific.—Lower freight rates on the lines from San Jose and San Fran. bay points to the Oregon State line were finally fixed by the Federal Court when it upheld the order of the Comm. of Nov. 6, 1916, in the Sacramento Valley rate cases. The decision of the commission law reduces rates on the east side of the Sacramento Valley between Woodland and Tehuma, but will have no effect on the rates on the west side of the valley between Roseville and Red Bluff. The Southern Pacific Co. stated that this decrease in rates would cause it a loss of $250,000 a year.

Union Pac.—Of the $2,698,769, or 30.9% increase in May gross revenue, Union Pacific gained $2,229,343, or 35.1% in freight revenues and $287,969, or 19.1% in passenger revenue. Union Pacific's gross revenue increase for the five months of $6,035,714, or 14.6%, was due chiefly to freight revenue gain of $3,996,054, or 13%; passenger revenue gain of $1,371,446, or 19.5%; and express revenue gain of $515,310, or 74.6% Operating expenses, excluding taxes, absorbed 56.38% of gross in May, an increase of .14% over May, 1916, and 63.20% for the five months, an increase of 4.51%, due to the heavy storms and expense of clearing track.

Wabash.—Earned $464,000 surplus over all charges in May, which is at an annual rate of 5% on both classes of pfd. stock and 1.91% on the common stock. The five months' surplus was $1,179,000, against $1,745,000 in 1916, an increase of only $34,000, although in the same period gross increased $1,067,000, all of which and $200,000 in addition went into higher transportation expenses. Taxes were $63,000 in excess of the five months of 1916. Maintenance expenditures were $174,000 under 1916.

Western Pacific.—Gross operating revenues for the month of May were the largest for any month in the history of the company. Gross operating revenues for the month amounted to $913,609 and operating income after taxes was $375,547. The printed report shows that net operating income, plus other net income credits, made the surplus from the month's earnings applicable to bond interest $400,939. The statement of earnings and expenses for the first five months of 1917 shows a surplus applicable to bond interest at the end of the period of $1,179,085. This sum is $324,822 in excess of annual interest requirements on the $17,085,260 outstanding 5% bonds.

Industrial Digest

Amer. Car & Fdy.—Balance sheet, as of April 30, 1917, shows a profit and loss surplus of $26,820,965, compared with $25,810,094 April 30, 1916. Balance of $8,210,872 after pfd. divs., for the year ended April 30, 1917, is equal to 27.37% earned on $3,000,000 common stock, as compared with 2.39% the previous year.

American Agri. Chem.—Closed the month of June with what should prove to be at least the second and perhaps the best fiscal 12 months in its history. If the latter title is earned it will mean a balance of profits for the $18,430,000 common of 21%. This is probably a little higher percentage than can be safely anticipated. The company did not do as well in the last two or three months of the year as might have been expected.

Amer. Ice.—Despite the fact that May was a bad month for American Ice, its net profits up to June 30 were $250,000 ahead of the corresponding seven months' period of the 1916 year. The company had a good June and it is understood that there was a comparative gain in net.

Amer. Locomotive.—Has taken orders for two Mikado 142-ton engines for the Chicago, Indianapolis & Louisville and for two 102-ton switches for the Detroit & Toledo Shore Line.

Amer. Malting.—Declared quarterly dividend of 1½% on its 1st and 2nd pfd. stocks, payable Aug. 1 to stock of record July 17. In April dividends of 1% ware declared on these two issues. Net earning of the company for the first nine months of the fiscal year were in excess of 650,000.

At., Gulf & W. I. Lines.—If this company fulfills the expectations it will earn in 1917 a balance for its $14,963,000 common stock of about $61 per share after deduction of an excess profits tax. This assumes an excess profits tax based upon the taxation law which the Senate has approved through its finance committee and which involves the adoption of the English system. This will probably work out as a 25% tax on net profits in excess of average earnings for the three years 1911, 1912 and 1913.

Baldwin Locomotive.—With orders on hand and in sight Baldwin has enough work to keep the plant running at capacity until July, 1918. Although it is impossible to predict just what number of locomotives will be turned out in 1917, officers of the company expect that the 1916 total of 1,989 will be considerably exceeded. All plants of the company are working as near capacity as is possible with the present labor conditions, and the uncertainty in the supply and delivery of material.

Bethlehem Steel.—N. Y. Stock Exch. received application to list $44,586,000 of this company's Class B common stock, in exchange for present outstanding temporary certificates. The company offered to build 100 steel ships for the United States Government.

Canadian Car & Fdy.—Interest has revived in the affairs of the company, following the announcement of the large order for freight cars placed with this company by the Dominion Government. Reports are also more favorable in regard to the outcome of the adjustments arising out of the fire at Kingsland, N. J. It is understood that already about two-thirds of the claim has been settled satisfactorily, and a final announcement of the settlement can be expected previous to the annual meeting, which is booked for July 31.

Central Fdy.—Earnings statement, 20 weeks ended May 19, 1917, as submitted to the N. Y. Stock Exch., shows net manufacturing profits $190,567, other income $24,217, less $32,442 depreciation and $28,526 interest on bonds and floating debt, leaving $153,817 surplus after charges, but subject to excess profits and income taxes. Has listed $1,085,000 of this company's first mortgage 6% 20-year bonds, with authority to add $344,000, making the total $1,429,000; also $4,600,000 pfd. and $3,600,000 common stock in exchange for outstanding certificates.

Chalmers Motor.—A special meeting of this company has been called for July 11 to vote on increasing the capital stock from $3,000,000 to $14,200,000, and 264,000 shares with a preference as to principal of $45 each and as to dividends of $3.50 per share per annum.

Colorado Fuel.—Declared an initial dividend of 3% on the common stock, payable, ¾ of 1% on July 25, Oct. 25, Jan. 25, 1918, and April 25, 1918, respectively, to stock of record the 10th of each of the aforesaid months. This dividend is payable from the surplus of the company for the year beginning July 1, 1917.

Curtiss Aeroplane.—Has practically closed negotiations with the Allies for 1,000 Curtiss motors. These will average about $5,000 each, which means an order of approximately $5,000,000. Deliveries will probably start at five motors a day. By the fall of 1917 it is expected 10 daily can be delivered. Filed notice at Albany, N. Y., of an increase in capital stock from $6,750,000 to $7,515,000. $2,000,000 Curtiss Aeroplane & Motor Corp. first and convertible 6% serial gold notes, dated Jan. 1, 1917, and maturing $400,000 Jan. 1 of each year from 1918 to 1922, inclusive, are being offered for sale. The notes are convertible into common stock voting trust certificates on the basis of 20 shares of stock for each $1,000 note and are callable at 102½ and interest on 40 days' notice.

Emerson Phonograph. — Advertising campaign in N. Y. and Chicago newspapers will be followed beginning in August by a

campaign of full page in the Saturday Evening Post.

General Electric.—During its half year to June 30 General Electric earned a substantial amount above the 8% dividend on the $101,512,000 stock. In other words, in the first six months the entire year's dividend of 8% was more than earned.

Internat. Agricultural.—Bankers who studied into the Internat. Agri. situation were fairly confident that the 7% dividend rate on the $13,000,000 pfd. can be resumed the first of 1918. If this step eventuates it would mean five years' abstinence from dividends. During this five years the company has been rebuilt financially, to a considerable extent physically, and has a strong, able management which is steadily putting permanent values behind its securities.

Lackawanna Steel.—Under the proposed excess profits tax, it would appear that Lackawanna, in the current year, will show net earnings free and clear for dividends, equivalent to approximately $46 per share. In other words, granted that present estimates of earnings, without making allowance for taxation, are correct, the excess profits tax will take from Lackawanna about one-third of its total earnings. It is figured that Lackawanna will show $25,000,000 for dividends, less special new taxation in 1917. In the three years 1911-13 Lackawanna Steel earned an average of $1,282,499, or considerably less than 6% on the capital invested.

Pierce-Arrow Motor Car.—Has listed $6,207,400 8 per cent. cumulative preferred stock and 166,268 shares of its common stock without par value, with authority to add $3,792,600 preferred and 83,932 shares of common stock, and with further authority to add additional shares of common stock on the conversion of preferred stock in accordance with the terms of application. Report, four months ended April 30, 1917, shows net manufacturing profit of $1,341,132, after all taxes, except for excess profits, and after allowing for interest and $156,444 depreciation. Dividends of $200,000 were paid on the preferred stock during the period.

Republic Iron & Steel.—Received an order for 80,000 tons of steel for use by the United States Government in making shrapnel shells. The price was $75 a ton.

Sears, Roebuck.—Sales for June, 1917, were $9,587,418, an increase of $562,537 or 5.97 per cent., for the six months $84,893,437, an increase of $19,157,644 or 29.14 per cent. June sales do not include the last three days of the month, as the company is taking its mid-year inventory, which is exceptionally heavy. This explains the small increase in June over a year previously.

United Cigar Stores.—Sales in June gained $875,000 over June, 1916, the largest increase for any one month in the history of the company. Including the June business, sales of the United Cigar Stores for the first half of 1917 gained $3,500,000 over the first six months of 1916. The increase in sales by months was as follows: January, $600,000; February, $400,000; March, $650,000; April, $500,000; May, $500,000, and June $875,000.

United Fruit.—The net profits of the company in June exceeded any former month in the corporation's experience. The balance of profits accumulated exceeded $2,000,000. May was also a $2,000,000 net month, but the exact figures were under those of June. For the nine months to June 30 the Co. earned from all sources, but not including its Nipe Bay equity, a balance of profits of $11,900,000, which is an increase of $3,500,000, or about 42% over the $8,400,000 earned in the same period of 1916.

U. S. Rubber.—Application has been made to list $60,000,000 of this company's first and refunding mortgage 5% bonds, Series A, due Jan. 1, 1947, in exchange for outstanding Central Trust Co. of New York certificates for said bonds now on the list.

U. S. Smelt., Ref. & Min. Co.—Regular quarterly dividends declared by this company are payable out of funds received from surplus earnings of subsidiaries prior to March 1, 1913. Earnings in five months from January 1 to May 31, 1917, have been approximately $2,891,829 after all charges and reserving $866,041 for depreciation and exploration, and for expenses and losses in Mexico since Jan. 1, 1917. These earnings are at the rate of 7% a year on pfd. plus $6.21 per share for five months on common, or at the rate of about $14.91 per share per annum (29.82%) on the common stock.

Willys-Overland.—Shipments for May were ahead of those a year previously, totaling 16,025, as against 15,937 in May, 1916. The total number of cars shipped in 1917 to June 19 totaled 85,792, compared with 88,295 for the corresponding period a year previously. Willys for the full half year will not measure up to the showing of 94,477 cars for the first six months of 1916, but obviously the showing, when all factors are taken into consideration, will bear comparison. It is still the intention to produce 200,000 cars as called for in the original production schedule of early January.

Woolworth.—Sales for June totaled $7,938,018, compared with $6,804,094 for the same month of 1916, a gain of $1,133,924, or 16.66%. For six months of 1917 sales were $41,507,893, compared with $37,208,704, a gain of $4,299,189, or 11.85%. During June the company opened ten new stores and now has a total of 960 operating, with 40 more under lease to be opened in 1917, which will bring the chain up to 1,000 stores. While the company opened 40 new stores during first half of 1917, these new locations are not entirely responsible for the increase in business. In June the old stores which had been operating a full year, showed an increase in sales of $707,676, or 62% of the increase for that month.

Railroad and Industrial Inquiries

Denver & Rio Grande

W. H., New York City.—Denver & Rio Grande is under the cloud of the adverse decision recently rendered in the Western Pacific suit. Efforts are being made by the committee representing the Denver & Rio Grande and the Western Pacific to effect a compromise, under which it would not be necessary to place the former road in the hands of a receiver. It is impossible at this time to forecast the outcome of the whole matter. Furthermore, it is impossible to determine how the preferred stock would be treated in the event of a reorganization. That would depend on how much money had to be raised, on investment market conditions, and on numberless other considerations.

On the other hand, we have the fact that the earnings of the Denver & Rio Grande have been making a much better showing during the past six or seven months than for several years back, due to higher operating efficiency and as a logical result of putting surplus earnings back into the property in previous years. In view of the fact that the stock at its present low selling price reflects the unfavorable turn of affairs in connection with the Western Pacific suit and in view of the fact that all of the bad news for the present is out, we feel that the price of the stock pretty fully discounts the worst that can happen short of a receivership. Since you have held the stock for so long and since it would show you such a tremendous loss if you sold it now, the wisest thing for you to do is to hold it and await further developments.

Atchison, B. & O.

L. R. G., New York City.—We regret that you did not follow the advice of the Trend Letter to investors, and sell your Atchison preferred and your B. & O. preferred, as you would now be in a position to purchase them lower. We still hold to the opinion that the trend of the market is downward, but we do not recommend the sale of your stocks at this rather late day, since you have bought them strictly for investment. There can be no doubt about the future of the dividend of both issues. The stocks, however, may suffer at further declines as the outlook for railroad earnings is uncertain on account of the mounting costs of operation. Peace will bring relief and early peace will doubtless have an ultimate bullish effect on the rail market.

Some Rails

W. M. T., New York City.—We are not generally favoring the purchase of railroad stocks. In the outlook of the current issue of The Magazine which you will doubtless have at hand when you receive this letter, our attitude on the railroad situation is very clearly set forth and we suggest that you read that to save us going into detail in a letter. Of course, the unexpected explanatory statement of the Interstate Commerce Commission, defining its action in granting an increase of about 14% in class rates to Eastern railroads put a somewhat more favorable aspect on the decision as it affects the Eastern carriers. However, the more favorable construction put upon the decision is not of sufficient importance to warrant our changing our attitude even on the Eastern Roads, to a positively bullish one.

The dividend on New York Central is in no immediate danger, but there will be cause for apprehension unless there is a change for the better soon in the conditions affecting this road's operations. The same holds true of Baltimore & Ohio, while in the case of St. Paul, there is considerably more reason to feel alarmed over the dividend, since the rising operating charges and burdensome fixed charges are cutting a wide swathe in gross earnings and leaving a very slim margin of net over the present 5% dividend. Moreover, there is less promise for early relief for St. Paul than there is for New York Central or Baltimore & Ohio. As a matter of fact, rumors are rife about a reduction in St. Paul's dividend to 4%. The comparative prices for Central, Baltimore & Ohio and St. Paul stocks reflect the relative safety of the dividends on these three issues.

Southern Pacific

L. T. R., Cumberland, Ohio.—Southern Pacific stock is not declining because its present dividend is in danger. In respect to current earnings, the company makes a favorable comparison with the best of the railroads. Uncertainties in the general railroad situation are responsible for the drop of the stock. Advancing operating costs in conjunction with only nominal increases of rates, as recently allowed by the Interstate Commerce Commission, at least so far as the western roads are concerned, is causing liquidation of the railroad shares. With this company's participation in the war the uncertainty of the situation has been aggravated, and it is difficult to make any forecast of what the future may have in store.

As you would suffer a loss of but several points on your holdings at the present price, we recommend that you dispose of them and wait for better opportunities for investing your money. Meanwhile you might place your money in short term notes which are now quoted on an attractive basis. We suggest your buying Southern Railway 5s, Bethlehem Steel 5s, Erie Railroad 3½s, all yielding over 6%. Securities of this character are not likely to depreciate to any great extent even in reactionary stock and bond markets, and when a favorable opportunity presents itself for a good long time investment, you could liquidate the short notes without incurring much loss, and in the meantime you would have a high rate of return on your money.

Chicago & Great Western

B. T., Hyndsville, N. Y.—Chicago & Great Western cannot be classed as an investment. You are evidently under a misapprehension as

to the company's earnings. Even in the period of abnormal railroad earnings which we witnessed a year ago, net income barely covered the 4% dividend requirement on the stock, and its present rate of earnings has been considerably reduced owing to the high cost of maintenance and operation, the malady which is afflicting railroads in general. In the first four months of the present year the gross revenues about held their own as compared with those for the same months of 1916, being $5,048,255, against $5,035,819. The surplus earnings, however, were reduced from $564,-209 to $260,028.

The company will not derive any appreciable benefit from the recent decision of the Interstate Commerce Commission on the railroad rate application. While the property is in the best physical condition in its history and compares favorably in this respect with others in its territory it is not a trunk line and is, therefore, not in a position to secure favorable turns on interchanges of traffic with other railroads. Judging from the company's past record and its future outlook, we should not advise a purchase of the preferred stock for the long pull, particularly as there are other railroad stocks with larger earnings and better prospects which are selling considerably lower. Besides, this is not an opportune time to purchase stocks as the trend of the market is downward.

Southern Ry.

B. T. T., New Orleans, La.—Southern Railway is a stock which occupies a somewhat speculative position at this time and one in which an investment commitment should not be made. The stock, however, has excellent prospects for improvement after peace has been restored. Cessation of the war would mean resumption of heavy traffic in cotton, phosphate rock and manufactures for export. This traffic has practically been at a dead stop so far as the South's export business is concerned and tremendous quantities of the commodities specifically mentioned are now stored at various points awaiting shipment to foreign markets after the war.

Crucible Steel

H. H., Niagara Falls, N. Y.—Crucible Steel has apparently been under the influence of pool manipulation. This company in common with all of the steel producers is experiencing very great prosperity. Its earnings in 1915 were equal to only 5.39% on the common stock whereas in 1916 the earnings jumped to 45.89%. They are now running at the rate of about $60 a share per annum according to reliable estimates. During the last two years the company has greatly strengthened itself financially and physically and is now in a better position than ever to become an established money maker. Its record prior to the war was a very poor one. Up until 1915 there was a large accumulation of dividends unpaid on the preferred stock and no dividends had ever been paid on the common. The war brought Crucible many profitable munitions contracts which resulted in its unprecedentedly large earnings. Recently the company has been paying off the accumulated dividends on the preferred stock until the accrual now amounts to only 2%, or to be more exact will amount to 2% after July 31.

The common stock is now approaching the time when dividends may be expected to be inaugurated. The question is, Has the present price of the stock discounted that prospect? We think it has for the present at any rate and, under those circumstances, we do not recommend a purchase of the issue either for speculation or investment. Our opinion of the unfavorable position of the stock marketwise is strengthened by consideration of the fact that the trend of the entire group of steel stocks is now definitely defined as downward and it would be unreasonable to expect Crucible to advance in the face of a general decline.

Lake Torpedo Boat

C. S., Dayton, Ohio.—Lake Torpedo Boat is quite speculative, but we believe the stock has considerable possibilities. While the company issues no earnings statement it is well known that it is now doing very good business and has recently taken some profitable contracts from the U. S. Government. The Lake Co. controls valuable patents and many people believe that it is capable of manufacturing a superior type of submarine. If you are willing to hold the stock as a long pull speculation, you would be warranted in doing so.

Cramp Shipbuilding

B. R. A., Chicago, Ill.—Cramp Shipbuilding is in a certain sense selling out of line with its earning, book value and prospects, but it must be borne in mind that the return of the investment is very small. The company recently declared a dividend of 3%, payable July 21. This dividend was not designated as anything more than "a dividend."

There is no question that the speculative prospects for the stock are bright. The Cramp Company is one of the oldest shipbuilding concerns and is also one of the best equipped. In recent years very large sums have been put back into the property for the purpose of improving and expanding facilities and at the same time the company's financial position has been strongly fortified. It is true that the company is booked up to capacity for a number of years and there could be no doubt that it will be one of the biggest beneficiaries of the world-wide demand for new shipping after the war.

The stock is rather closely held and there is a very small floating supply in the hands of the public. Perhaps that accounts more than anything for the fact that no serious attempt has been made to create an active speculation in the stock.

This issue is of course speculative but as a speculation it has big possibilities. If you are willing to assume the risks involved in a purchase of the stock, you would be warranted in buying it to hold for a long pull.

BONDS AND INVESTMENTS

Are Bonds Cheap?

A Study of Price Movements of Representative Bonds—Causes of Decline in Bond Prices—The Long Range Prospect

By PHILIP LYNCH

BONDS, like commodities, are affected by the law of supply and demand. Since the beginning of 1917 the general order of investment conditions has been reversed and prices have declined in many instances to the lowest point in years. With fundamental conditions good throughout the country, it is difficult to explain just why this is so, but the reason might be found in the following:

Why Bonds Declined

Savings, which formerly went into banks, have been going into automobiles, "oil" stocks and other issues of the get-rich quick variety. This has put a limit on the purchasing power of savings institutions which have always been heavy buyers of bonds.

Timidity on the part of investors because of losses incurred by holding securities of railroads, many of which, during the past few years, have gone through bankruptcy.

Depression in real estate, forcing individuals, banks and insurance companies to buy in property at foreclosure proceedings. This not only prevented bond buying, but made it necessary many times to sell securities to use the proceeds in real estate operations.

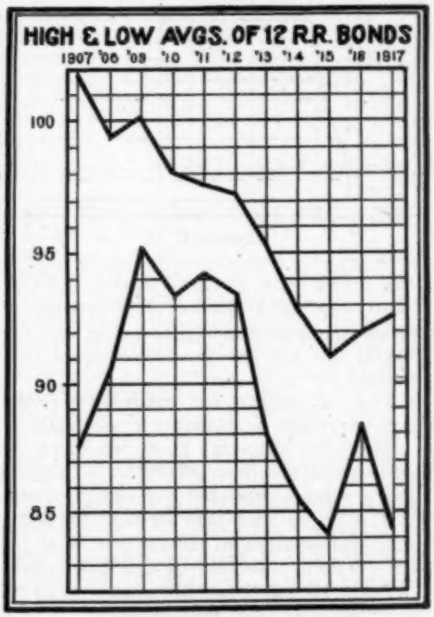
An increase in the cost of living thus decreasing bank deposits.

The shutting down of foreign markets. Before the war it was not an uncommon event for a railroad company to sell an entire issue of bonds abroad. But since the beginning of the war Europe has not only stopped buying our bonds, but it has sold us back millions upon millions of dollars' worth. Also a great many of our investment securities have been returned to us by Canada.

Absorption of our funds by the flotation of foreign government bonds, and last but not least, liquidation by our own people and institutions to assist in the flotation of the Liberty Loan.

Long Existing Factors

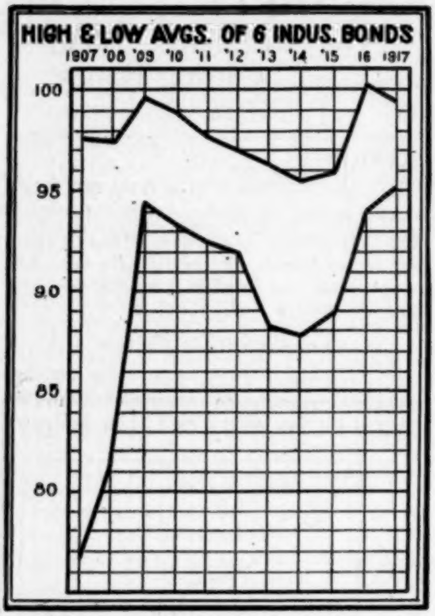
Of course all these factors did not begin with this year. Many of them have been existing for some time, but for one reason or other their influences have not been brought to bear on the investment market until now.



GRAPHIC I.

If liquidation for the purpose of Liberty Loan subscriptions is wholly respon-

sible for the decline, it will be interesting to follow prices and to note the effect thereon by further demands for war cap-



GRAPHIC II.

ital. The first portion of the Liberty Loan has been placed, and owing to the large oversubscription, the big interests did not get the full amount subscribed to.

This, of course, has made it unnecessary for them to liquidate their holdings further, but thus far there has been no evidence of the replacement of bonds out of the money intended for subscriptions.

It may be that this money is being held for municipal bond flotations or for further offerings of Liberty bonds.

With all of these facts before us, it is difficult to say now whether or not bonds are cheap, although we do know they are not dear, and as we have had no paralysis in the country's business it would seem as though prices ought to strike the low level before long.

Bonds of Established Companies

Bonds of established companies that have stood the test of periods of depression and prosperity and have attained a position of such strength and stability that they may be relied upon to weather the storms which from time to time upset the financial and business world are now selling at prices which yield from five to six and one-half per cent. or more.

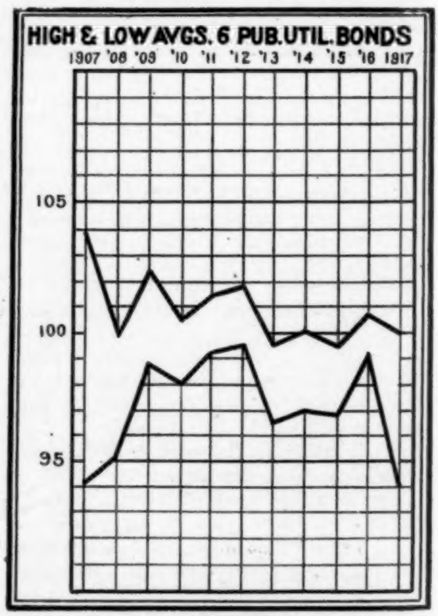
Such bonds have passed the prospective or experimental stage, and the record of their past seems to give assurance for the future.

I have drawn three graphics to illustrate bond fluctuations.

Bond Fluctuations

Graphic No. 1 describes the movement of railroad bonds from 1907 to date.

While the railroad situation is not very good just now, it is well worth noting that the value of a railroad is generally figured in its reproduction value. While earnings might show narrow profit margins, the reproduction value has probably increased fifty to one



GRAPHIC III.

hundred per cent. And while the Interstate Commerce Commission did not grant an increase in freight rates, it is

pretty generally believed that the railroads will be able to adjust themselves to such an extent that a reasonable profit will be made. If such a profit cannot be shown the commission has expressed its willingness to look into the matter again after a reasonable time has elapsed.

Graphic No. 2 and No. 3 describe the industrial and public utility bond movements, respectively, covering the same period.

Industrial bonds have been steady since the first of the year, because of good earnings, and this condition should continue for some time to come.

The prices of public utility issues have reflected higher operating costs, but with the passing of the war these companies should revert to a normal basis.

In the time that has elapsed since the starting of the war this country has experienced a period of unusual prosperity, resulting in an enormous growth of banking resources and large increase in wealth available for investment. Taking these factors into consideration as well as the increase in earnings resulting in increased equities, bonds as a whole probably represent greater intrinsic values than ever before.

Time to Invest?

It, therefore, seems reasonable that the consideration of investments now would not be amiss. This does not necessarily mean to put all available funds into investments at this time. It does mean, however, that the present level might not be a bad starting point.

The reader of this article should bear in mind, in making purchases, to deal in certainties and not probabilities and to distribute the risks by purchasing different bonds in different companies that show good intrinsic value behind them.

Buying bonds when everything looks blue is like buying stocks in a panic. It takes courage and plenty of it.

What the United States Has Done in the War

Two billion dollar "Liberty Loan" oversubscribed.

Ten million men registered for such service as the Government may require.

Forty thousand picked men in training camps to supply officers for the first army of 500,000.

Army, Navy and National Guard being recruited to war strength.

General Pershing sent to France, followed by a division of regulars.

Our fleet actively co-operating in the war against the submarines.

American airmen fighting in France.

American engineers and surgeons dispatched to France.

A delegation headed by Elihu Root sent to Russia to aid that country.

Seven billion dollar war loans authorized.

Three billion war appropriation bill passed.

Three billion dollar loans to our allies authorized—nearly one billion already advanced.

One hundred million dollars raised for the Red Cross.

Seven hundred and fifty million dollar shipbuilding campaign inaugurated to overcome submarine menace.

Details of American co-operation in the war agreed upon with British, French and Italian commissions.

Council of National Defense organizing the country for the greatest effort in its history.

A Lesson for Investors

The Tale of Two Brothers—Why One Prospered and the Other Grew Poorer—Local Mortgages Versus Corporate Credit

By ARTHUR N. SLOCUM

[The following article is easily within the realm of possibility. The names and situations are fictions, but the illustrations are real. Very few men realize the possibility of a good yield income, and because of this are very apt to invest in local mortgages, instead of allowing the local banks to carry those burdens.—Editor.]

JOHN DURWARD, a prosperous citizen of Springfield, Mass., died on June 28, 1916. He was a widower, and left two sons, Frank H. and Henry B., respectively 30 and 33 years of age. Both boys were unmarried at the time of their father's death, and for the past ten years had been partners in a retail grocery business. The business had given them a living, and permitted them to put aside a surplus of moderate proportions, so that when the father's estate was settled, the ten thousand dollars which he had left to each of them only served to increase the other surplus funds which earned a small three and one-half per cent. in the local savings bank.

What Frank Did with His $10,000

After the estate of the elder Durward had been settled, the brothers decided to keep the capital left them separate from their business. At the same time, both desired to invest it in such a manner as to get the best yield and conserve it for future possibilities. Frank immediately proposed an investment in local mortgages. His argument was:

"I have no desire to get tangled up with the Wall Street sharks. On the other hand, Putnam, the local bank president of the largest financial institution in this city, is so conservative that I would never know I had any additional income. Young Walsh was in to see me yesterday. You know he owns those three lots on Main Street, and wants to build. I think that I'll take a 60 per cent. mortgage on his new houses. He is a reliable man, and I know he is perfectly safe. I'll make a three-year mortgage. This will get rid of $6,000, and the other four thousand can be split up in four lots of a thousand each among other reliable friends, who need this money to help make the old city grow. Besides, this means 6 per cent. Six hundred dollars a year! It's safe, and I can see where the money goes. What are you planning?"

"I hardly know as yet," was Henry's reply, "but I am going to find some semi-speculative investments which will go a little better than your 6 per cent."

"And lose it all," suggested the careful brother.

A Year Later

One year later the brothers were discussing their financial affairs. Henry opened the conversation by remarking casually.

"I understand that Walsh is in trouble. How did you come out with him on that mortgage you took on his houses?"

"I've certainly had my share of troubles not only with Walsh, but with every one of the other mortgagors who took advantage of my funds which father left me. Let me tell you the story. It is certainly remarkable for its hard luck features.

"In the first place, I should have allowed the banks to finance these local deals. I had always believed that I knew what a mortgage was, and prided myself on being a real business man, but it has taken me a year to be thoroughly educated, and the course of instruction came at a high tuition fee.

"Walsh told me that he paid $3,600 for the lots, and I know that the houses he built cost him $6,400 more. It seemed to me that my $6,000 was fully protected on this $10,000 investment of his. But a short time after they were built, Murphy, the contractor, announced that he was

going to put up four big tenements for the new General Electric factory hands, and that these would be built on both sides of Walsh's property. And what is more, these buildings went up, as you well know. I had never thought of the possibility of the property being non-restricted, and neither had Walsh. The result was that he could not get tenants, and as he had no other resources, I did not get my interest. This went along for some months, and finally I thought it best to foreclose. In addition to making an enemy of Walsh, the proceedings cost me nearly $300, and I have the houses. I have lost $360 interest, and have had to pay the taxes amounting to $140 more. I have a questionable $6,000 investment, which is no more or less than a white elephant, unless I spend about $3,000 more, and put them into tenements which can be rented."

"What about the other $4,000?" interrupted Henry.

"Well, I loaned $1,000 to Phil Winters on his house in Eighth Street, and it burned down last April. Phil only had a little insurance on it and, after the 80 per cent. clause was taken into consideration, I got $200. I trusted Phil to look after the insurance feature. I know now that I should have handled this myself, but it meant a lot of work, keeping records, and more details—it's my own fault, so I cannot complain.

"I had a little better luck with the $1,000 I loaned the Widow Jones. It was due last week, but she did not have the money to take it up, and could not get it from the banks, so I renewed for another year. She pays her interest right on the day it is due, but of course I could not get principal just now if I wanted it.

Flaw in the Title

"The other $2,000 is all right, only I am not getting any returns on it just now. One thousand of it went in that new development of the City Realty Co. Everything would have been right if some flaw in the title had not been discovered, which prevented any more work in this tract at present. I suppose I should have searched title myself, and had it guaranteed, but the president of the company says it will be all right after the courts get through fussing.

TABLE I

SECURITIES REGISTER — INCOME DUE EACH MONTH

Par Value	Rate	Description	Cost	Price	Total Income	J.	F.	M.	A.	M.	J.	J.	A.	S.	O.	N.	D.
$1,000	5	Trust Co. Gt. Bond	1,000	1,000	50	25						25					
$1,000	4	C. B. & Q. 4% due	930	93	40	20						20					
$1,000	8	U. Cigar Stores (com.)	1,100	110	80		20.			20.			20.			20.	
$1,000	7	Gt. Nor. Pfd.	1,050	105	70		17.50			17.50			17.50			17.50	
$1,000	4	Com. Ry. L. & P. (com.)	500	50	40		10.			10.			10.			10.	
$1,000	6	Adv. Rum. 6% due	880	88	60			30.						30.			
$500	6	Can. Pac. 6% note, 1924	510	102	30			15.						15.			
$1,000	6	Wilson Co. 6% Bond	1,020	102	60				30.						30.		
$500	6	St. Gas & Elec. 6%, 1935	450	90	30				15.						15.		
$1,000	3½	Liberty Bond	1,000	100	35						17.50						17.50
$1,000	5	So. Pacific Conv. 5%, 1934	1,000	100	50						25.						25.
$500	24	Cresson Consolidated	560	Apx. 5½	120	10	10.	10.	10.	10.	10.	10.	10.	10.	10.	10.	10.
			$10,000		665	55	57.50	55.	55.	57.50	52.50	55.	57.50	55.	55.	57.50	52.50

Combined Flat Yield, 6.65%.

It's only a technicality anyhow. The other thousand is the Union Savings Bank, getting 4 per cent each year. I haven't used the interest, as I am allowing it to compound. It grows fast that way."

"On the way home from town," said Henry, "I heard some news about the Union."

"What happened there to create news?"

"Only that the cashier has absconded, and it seems that the president is mixed up in some realty deals. The rumor is that the examiner has been hoodwinked each time he went over the assets, so that in place of trust funds, there are only one name notes of doubtful value.

"Of course, the directors will come to the rescue and the assessments on them will likely protect the depositors, but it will be some time before everything is adjusted."

"I wonder how much of that $10,000 I have left?" was Frank's only comment. Then he added, "Where is your portion?"

What Henry Did

"Well," said Henry, "I'll give you the history of what my $10,000 is doing, and possibly when you build up your surplus again, you may want to follow my plan. I have not lost anything as yet, and I am getting a flat yield of 6.65 per cent. on my capital. It is true, that there are many better investments and safer ones, but I have a good business, which provides for my immediate wants, and I can afford to take a chance.

"Here is my plan," and Henry unfolded his *Security Register* (a copy of which is shown in table No. 1), and proceeded to explain.

"You will note in the first column that I have $10,500 in par value of bonds and stocks. This in itself means nothing except that the cost, an even $10,000, approximates the par value and on its face allows for a possible appreciation in some and a possible depreciation in others. The total income of $665 is more than any local mortgages could do for me, and in addition to this I get my interest and dividends regularly as the calendar, without effort on my part. The mail man brings them all, for I have had the bonds registered in my name. I do not expect to sell any of these securities, but if I did need the money, I could get the cash for them in less than an hour. I have endorsed the stocks, which are in my safe deposit box, and have made out bond powers to make these bonds negotiable.

Scattered Investments

"I have arranged to get about the same amount of income each month, as you will note from the plan of the record, and, in this way, it is just like getting a salary. I have scattered the investments as in table II.

"Geographically, I have covered investments throughout the entire United States, as you will easily notice when I explain just what each is.

"Of course, Frank, I would not wish to advise a widow or a trustee to make the selections I have made, but as I am in good health, have additional income, and am a comparatively young man, I believe my selections are well chosen. At least $7,000 of the total would not be sneered at by any professional financial critic, but I will give you my reasons for each choice, so that you will have a like chance to work out any scheme of your own in the future.

Guaranteed Mortgage

"The $1,000 guaranteed mortgage gives me the same participation in land development as you suggested originally. In this case, one of the largest and oldest financial organizations in this country has loaned a large sum of money on a beautiful apartment hotel in New York City. They loaned the money at 6 per cent., but desired to give the individual an opportunity. This tremendous concern looks after the insurance and all the legal details of the mortgage, and in addition to the actual equity in the property, agrees to place its entire resources as further protection. For this service only 1 per cent. income is taken by the trust company. In addition to these safeguards, the original bond and mortgage is deposited with another trust company, so that it cannot be duplicated for borrowing purposes. The participa-

tion mortgage is for ten years, and after that time I must reinvest, for the principal will be paid. In the meantime, I can always borrow the principal in full and endorse over the mortgage to another.

Railroad Bond

"The $1,000 bond of the Chicago, Burlington & Quincy, known as the 'Joint 4 per cent.,' is really a dual obligation of two of the greatest railroads in the world—the Northern Pacific and the Great Northern. It is true that just now the railroads are in disgrace as investments, but the resources back of these bonds will protect the investor to a 100 per cent. extent, and he need never fear about not getting his interest or principal. Of course, the yield is not great, but the added protection is something to consider in this case. There is no need to add to the history of this security, it has been tried through panics and not found wanting.

Common Stock

"The ten shares of United Cigar Stores common is another safe and sane investment. You smoke and I smoke. Why, even if New York City were captured by an enemy, the United Cigar Stores would sell their customers in San Francisco. The 8 per cent. dividend is only recent, but these dividends have steadily increased since 1913, when 5½ per cent. was paid. The company is buying its preferred stock in the open market to retire it. Not as a speculation, mind you, for one cannot tell just what will be the outcome of these high costs for railroad materials, salaries to the men, and rate problems. Since 1899 this preferred, against which there is no common stock, has paid its 7 per cent. There have been some years in which the margin of earnings has not been too great, and it may be that some day the rate will be lowered for a time, but the Hill management means something to the investor and, if any of these rails weather the storms, Great Northern Preferred will likely be among the few.

Public Utility

"The ten shares of Commonwealth Railway Light and Power common stock helps to boost the interest returns on the investment. Of course, it is speculative, but it supplies over one million people with gas, steam heat, traction service, etc. Its properties are scattered over Michigan, Ohio, Indiana, Illinois and Wisconsin. The heavy costs of coal and materials have hit the earnings a hard blow, but the price of the stock has followed down as a matter of course. I guess that the dividends will be safe enough, and I have a chance for capital profit in the future.

Industrial Bond

"The Advance Rumley 6 per cent. bond, due in 1925, is another speculation to help the interest return. You will remember that this company grew out of the defunct Rumley Company, and was reorganized in 1915. The bonds are not listed on New York exchanges, but there is a ready market for them among brokers. The company makes threshing machines, and good ones. The farmers out West all own some product of this company, and it will greatly benefit after the war is over. As for the bonds, there is a sinking fund of $100,000 annually to redeem them at 102½, and interest or buy in the open market, and after 1920

TABLE II

Par		Cost
$1,000	Guaranteed Mortgage Participation	$1,000
3,500	Railroads, both Bonds and Stock	3,490
3,000	Industrial, both Bond and Stock	3,000
1,500	Public Utility, both Bond and Stock	950
1,000	In the Best Government Bond Ever Offered	1,000
500	Mining Stock	560
$10,500		$10,000

this fund is increased to $200,000. They are a direct obligation of the company, but are not in any way secured by mortgage. I think that there will be little doubt about my eventual profit here.

"The little $500 Canadian Pacific 6 per cent. note, due 1924, is thoroughly seasoned, and a good addition to my list. It is redeemable at par, and is a direct obligation of the wonderful Canadian Pacific Railroad, secured by a special investment fund composed of deferred payments on land sold. The railroad sold this land on the installment plan, but wanted the money right away, and so borrowed from its other stockholders and outsiders. The price seldom varies, and I always feel safe about the interest and principal.

First Lien Bond

"The Wilson & Co. 6 per cent. bond, due in 1941, is a first lien on all the vast property of this big meat and packing firm. I am told that these bonds are redeemable at 107½, and in addition they are secured by the stocks of the various subsidiary companies. A bond like this one diversifies the investments and distributes the risks into a separate channel. Just at present the company is making plenty of money, and there is sufficient equity in the whole property now to take care of the bonds and leave $89 a share for the stock, allowing $57 for the 'good will' feature.

"The Standard Gas & Electric $500 bond is due in 1835. It is not so secure as the other bonds in the list, but it has a great public utility company back of it. It controls and operates many other smaller companies all over the Southwest, the West and the North Central States. Electricity, gas and water power and supply are its products. These bonds were issued to redeem obligations of short maturity. I never have any fear for the outcome of this little bond; for there would have to be a most fearful disaster to destroy what is back of it, and the disaster would have to be almost universal. It is redeemable at 103 and interest.

"The Southern Pacific convertible 5 per cent., due 1934, is redeemable at 105 and interest after June 1, 1919, and it is also convertible into common stock at par, allowing of course for the adjustments of dividend and interest. It is a direct obligation of the remarkable Southern Pacific Railroad, but is not a mortgage. There may be safer and better bonds even of the Southern Pacific system, but the future convertible privilege is an attractive one for the man who likes to look ahead. Something may happen to the stock to take away this value, but the 5 per cent. return will prevent the price from going too far below parity.

Bringing Up the Yield

"Cresson Consolidated Gold Mines certainly helps to bring up the average of the interest return. No, this could not be suggested for the lone widow or the elderly man with $500 saved up to keep him from the poorhouse. But I sort of figure that if the 100 shares of $5 par keeps paying the same dividends for a few years longer, the principal will all be back and the market value and future dividends velvet. This mining stock furnishes real monthly reports. It has sold several points higher, and is said to be owned in large blocks by presidents of big copper companies, who figure it as an 'investment.' Whether this is so or not, makes little difference if the owners will realize that part of the big dividends are really principal being returned. Anyhow, it helps to swell the average, and I can afford to lose it.

"Last, but by no means the least, it is hardly necessary for me to tell you about the Liberty bond. If you had not been wasting your estate in foreclosure proceedings, or assisting friends, you would have owned a few Liberty bonds.

"But even if you do not agree with the stability and worth of my investments, isn't it nice to arrange your income so regularly and in so diversified a manner? If you do not care for all my choice, substitute a pet of your own to fill in the month wanted. And just one last word of warning. Ask those who know about such matters before you invest. And, after you do invest, have each item analyzed at least once a year, just as you would have the dentist examine your teeth."

Investment Offerings

[Under this caption we will publish from time to time a list of what we regard as conservative investment offerings by firms of unquestioned reliability. These securities will be of the type that should interest investors who regard safety of principal as the primary consideration in making their commitments.—Editor.]

THE DETROIT EDISON COMPANY, $2,000,000 5% First and Refunding Mortgage Gold Bonds. Dated July 1, 1915. Due July 1, 1940. Interest payable March 1 and September 1 in New York City. Callable on any interest date, on or before March 1, 1930, at 107½ and interest, from then to and including March 1, 1935, at 105 and interest, and thereafter at 102½ and interest. Coupon bonds, registerable as to principal, or fully registered bonds, interchangeable. Denominations $1,000 and $500. Bankers Trust Company, New York, trustee. Price on application to Harris, Forbes & Co., Pine Street, corner William, New York.

TOLEDO TRACTION, LIGHT & POWER COMPANY, First Lien 6% Five-Year Bonds. Dated February 1, 1913. Due February 1, 1918. Callable at 101 and interest on any interest payment date. Interest payable February 1 and August 1 in New York. The New York Trust Company, trustee. Offered by Harris, Forbes & Co., Pine Street, corner William, New York.

GREATER WINNIPEG WATER DISTRICT, $2,000,000 5% Gold Bonds. Dated July 1, 1917. Due July 1, 1922. Interest payable January 1 and July 1. Principal and interest payable in gold at Bank of Montreal in Toronto, Montreal, Winnipeg and New York City. Coupon bonds in denominations of $1,000. Price 94.70 and interest, yielding 6¼%. Offered by Wood, Gundy & Co., 14 Wall Street, New York.

BALTIMORE & OHIO RAILROAD COMPANY, 5% Secured Gold Notes $15,000,000. $7,500,000 Series "A," maturing July 1, 1918. $7,500,000 Series "B," maturing July 1, 1919. Interest payable January 1 and July 1. Coupon Notes in denomination of $1,000 each. Notes of either or both series redeemable as a whole at option of company at par and accrued interest, on any interest date, on thirty days' notice. To be secured by pledge with the U. S. Mortgage & Trust Co. The issuance of the notes is subject to the approval of the Maryland Public Service Commission. Offered by Kuhn, Loeb & Co., New York City.

CONSUMERS POWER COMPANY, First Lien and Refunding 5% Gold Bonds. Dated January 2, 1911. Due January 1, 1936. Interest payable January 1 and July 1 in New York or Chicago. Coupon bonds of $1,000 denomination with privilege of registration as to principal. Harris Trust and Savings Bank, Chicago, trustee. Issuance authorized by the Michigan Railroad Commission. Offered at 95 and interest, yielding over 5.40%, by Harris, Forbes & Co., Pine Street, corner William, New York.

NORTHERN STATES POWER COMPANY, First and Refunding Mortgage 5% Gold Bonds. Dated April 1, 1916. Due April 1, 1941. Redeemable on any interest payment date prior to and including April 1, 1936, at 105 and interest and thereafter at 102½ and interest. Interest payable April 1 and October 1 in New York or Chicago. Coupon bonds of $500 and $1,000 denominations, with privilege of registration as to principal only, or exchangeable for fully registered bonds of $1,000, $5,000 and $10,000 denominations. Guaranty Trust Company of New York, trustee. Offered at 93½ and interest, yielding about 5½%, by H. M. Byllesby & Co., Inc., 111 Broadway, New York, and Harris, Forbes & Co., New York City.

WEST VIRGINIA TRACTION & ELECTRIC COMPANY, $1,800,000 Two-Year 6% Bond Secured Gold Notes. Dated May 1, 1917. Due May 1, 1919. Callable at 100½ and accrued interest on forty days' notice. Semi-annual interest payable May 1 and November 1. Principal and interest payable at N. Y. Trust Co., New York. Coupon notes in denominations of $1,000, $500 and $100 each; principal may be registered. Offered at 98½ and accrued interest by William P. Bonbright & Co., Nassau and Cedar Streets, New York.

UNITED STATES PUBLIC SERVICE COMPANY, $2,750,000 First Lien 6% Gold Bonds. Dated February 1, 1917. Due February 1, 1927. Redeemable at the option of the company on any interest payment date on six weeks' published notice, at 105 and accrued interest. Interest payable February 1 and August 1. Coupon bonds in denominations of $100, $500 and $1,000 each interchangeable; principal may be registered. $1,000 coupon bonds and multiples thereof are interchangeable with registered bonds of like denominations. Principal and interest payable at office of William P. Bonbright & Co., Inc. Price, 99 and accrued interest. Offered by William P. Bonbright & Co., corner Nassau and Cedar Streets, New York.

Bond Inquiries

Chinese Railway 5s

S. S., Boston, Mass.—The Chinese Hukuang Railway 5s are a direct obligation of the Chinese Government as to principal and interest. They represent a first charge on certain provincial revenues, which normally amount to about $3,500,000 a year. Surplus earnings after interest on the bonds are to be devoted to a sinking fund. The bonds were brought out in 1911 at 97, in this country, London and Paris. Were political conditions more stable in China, the bonds would no doubt be reasonably safe in view of the security behind them, but with chaos reigning in the country they are a speculation, and unless you are willing to assume the risk, we would not recommend their purchase.

St. Louis & San Fran. 4s

P. T., New York City.—St. Louis & San Francisco 4s Series A are selling so low rather because of generally unfavorable conditions in the bond market than because of any specifically unfavorable situation affecting them individually. You would be unwise to accept any considerable loss on these bonds now, although if you hold them you must make up your mind that you may have to carry them through a prolonged decline resulting from the effect of the war situation on general investment market conditions. Eventually, they should be established at a materially higher market level.

U. S. Rubber 5s

A. B.—U. S. Rubber 5s offering was not a very great success. Market conditions were unfavorable at the time, especially for the selling of securities of this character. You should bear in mind that U. S. Rubber Refunding 5s are not the only bonds which have declined materially in price recently. These bonds are protected by an ample margin of security and the interest is safe. They may be classed as a reasonably good investment, therefore, but we favor them less than other more seasoned bonds which are the obligation of a company with better record than U. S. Rubber.

Russian Internal 5½s

M. V., Philadelphia, Pa.—Russian Internal 5½ per cent. are selling at their present low level, because of the political situation in Russia and the severe depreciation of Ruble exchange. Their value will ultimately depend on the outcome of the revolution. If the present conservative element remains in power and the war has a successful issue from the point of view of the Allies, the bonds will no doubt score a large recovery. But as the war situation is at present, there is no telling what course the revolution may take in the end. Seizure of the Government by the extreme radicals might result in a general upheaval and property rights would be very little respected. The bonds are, therefore, decidedly a speculation, and unless you are willing to assume the risks, we would not recommend their purchase.

Missouri Pacific 4s

B. B., Lima, Ohio.—Missouri Pacific general 4s when issued are speculative and it is not a favorable time to buy or hold speculative railroad bonds. Do not infer that we fail to appreciate the speculative possibilities of the new Missouri Pacific bonds over a period of years, but the immediate outlook is hardly bright enough to induce optimism as to the market course of these securities in the near future and if you are an intending buyer you should lose nothing by defering a purchase.

Texas Power & Light 5s

L. R. T., Milwaukee, Wis.—The Texas Power & Light 1st Mortgage 5s are in a fairly strong position. In 1916 interest charges were earned in excess of 2.35 times, which represents a fairly safe margin of protection. The fact, however, must not be forgotten that the bond market is in a reactionary stage, on account of the rising rate of interest due to the absorption of large supplies of available capital by the flotation of U. S. Government and foreign Government bonds. It would not be surprising, therefore, if the Texas Power & Light 5s experience some reaction in the future, but we should not recommend their sale if you are holding them for their income, which is practically assured.

Distillers Securities 5s

A. L. H., Wellsboro, Pa.—Distillers Securities 5s are not in an enviable position in view of the almost certain passage by Congress of the bill prohibiting the manufacture of distilled liquors during the period of the war. It has been stated that even if the Distillers Securities Co.'s plants have to discontinue the business of whiskey manufacture, they can be transformed into alcohol plants, but in our judgment it is not feasible to so transform all of them at least, for they are located in widely scattered sections of the country and it is doubtful if all of them could be used economically in such a business as the manufacture of alcohol for commercial purposes. The bonds are now, of course, selling at a very low quotation where their speculativeness is duly reflected and where it may be assumed that they are discounting to a very large degree the worst that can happen to the company. Since you would have to sell these bonds at such a very heavy loss now, it might be unwise for you to dispose of them on the present weak market, but if you hold them, you should make up your mind that you are doing so at a very considerable risk and unless you are willing to speculate longer, you would be better off out of them.

PUBLIC UTILITIES

Western Union

A Company with a Stable Future—Earnings and Finances—Its Progressive and Conservative Management—Future Expansion and Competition

By WALTER McNAUGHTON

ON July 1 of this year, Western Union returned to the fold of the Pennsylvania Railroad after an absence from the latter's territory since 1902. In the intervening years the telegraph business of the railroad was done by the Postal Telegraph. The latter, under an agreement will continue to operate independent public offices with its own forces at certain large stations on the Pennsylvania system, including those at New York, Philadelphia, Baltimore, Harrisburgh and Pittsburgh,

TABLE I

WESTERN UNION'S POSITION AS TO CASH AND NET WORKING CAPITAL

Year	Cash	Total Cur. Assets	Net W'king Capital
1916	$3,490,935	$30,229,079	$22,711,278
1915	4,707,873	14,329,770	8,331,984
1914	2,791,335	15,127,792	10,218,080
1913	*5,278,948	13,896,971	9,001,448
1912	3,082,492	11,704,078	6,897,195
1911	1,599,488	9,123,430	5,247,936
1910	1,415,069	7,365,278	3,178,875

*Includes $3,000,000 cash on special deposit.

and also at the Union Station in Washington, which is controlled jointly by the Pennsylvania and the Baltimore & Ohio. Arrangements have also been made by which the Western Union will also operate independent public agencies at these stations.

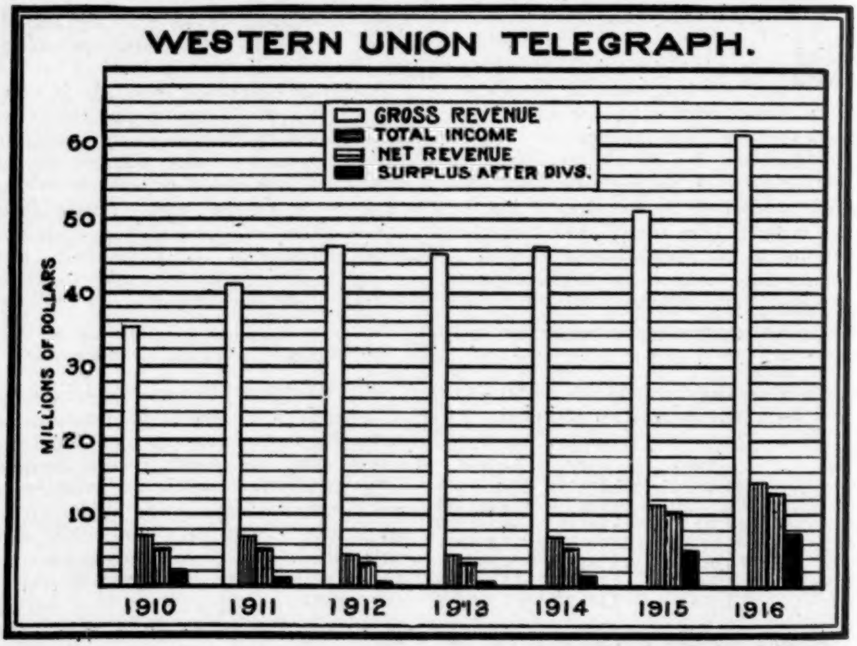
At all other stations on the Pennsylvania Lines, Western Union will hereafter have for its agents, the representatives of the Pennsylvania Railroad, who will accept commercial messages for all parts covered by the Western Union ramification. Contract to this effect was signed and is operative as of July 1, 1917. It is not contemplated that Western Union will erect pole lines on the Pennsylvania right of way. Such wires and cables as the company may require in connection with the undertaking the commercial business of the railroad will be strung on the poles or placed in the conduits of the railroad. Postal Telegraph, under an agreement which is still under negotiation, will probably be permitted to retain its wires and cables on the poles and in the conduits of the railroad.

The Big Fight of 1902

This change in the handling of the big railroad system's telegraph business recalls the fight between the Gould interests and the Pennsylvania back in 1902, which resulted in the ousting of the Western Union. That fight stirred up a bigger row than the public ever knew about, and threatened, for a time, the ruin of Western Union. The story was never printed and few men outside of the two companies know the details. Every pole of the latter was cut down in May of that year along the lines of the Pennsylvania under the orders of the late Alexander Cassatt, then president of the Pennsylvania. Later, Western Union removed its wires and poles on the subsidiary lines of the Pennsylvania.

At that time it was estimated that the telegraph company lost 15,000 miles of wire, 80,000 poles and other equipment, valued altogether at about $750,000. The annual revenue lost to the telegraph company was estimated at around $350,000. The cost of constructing new lines to carry on the company's greatly expanded business is now placed at about

$2,000,000. This relatively large cost is explained by the higher costs of materials and labor compared with those of 1902. The details of the new contract just negotiated have not yet been made public, but it is likely that they will be in the near future. Just what the estimated revenues will be, compared with those of sixteen years ago, is not known, but if the expansion of the Western Union business in those intervening years is a index, the recaptured Pennsylvania business should prove a considerable item in the company's revenue showing.



The 6% Dividend and Other Changes

Apart from this interesting and favorable development in Western Union's affairs, chief interest in the company's activities just now centres in the prospects for maintenance of the recently established dividend at the rate of 6 per cent. The advance from 5 per cent came as a complete surprise, for, while it was evident that the company was in a more prosperous condition than ever before, it was not expected that the dividend rate would be altered until the 1917 year had passed. This expectation was based on the widely known conservativeness of the company's board of directors. The stockholders received 6 per cent in dividends, of which 1 per cent was an extra, which came along with the final quarterly payment for that year. In March, of this year, the directors declared a quarterly of 1½ per cent, and the assumption now is that Western Union stock is on a regular 6 per cent basis. There is $99,786,726 of stock outstanding, all of one class.

In the last few years Western Union has made many radical changes in its cable service. Many of these were made in time to enable the company to meet the increasing strain that the war has imposed on "the wires of the world." In view of the rush of business which developed, it is almost a certainty that the company would have been taxed away beyond its capacity, but for the timely changes made. The present pressure of business furthermore is not one which will be removed with the termination of the war. Officials of the company believe that when the war is over, cable traffic will continue in about its present

volume. In fact, during the reconstruction period in Europe, which, according to economists, will be protracted over a period of five years or more, it is likely that cable business will be taxed more than ever.

A New South American Cable

Like all progressive companies, Western Union is constantly planning for the permanent expansion of its already large business. Officials of the company are reputed to have had under consideration for some time the construction of a direct cable to South America. This, under the best conditions imaginable, would prove a mighty expensive undertaking, and with the price of copper what it is and has been for the last two years, it is almost prohibitive. The prospects are, however, that on any permanent recession in the price of copper to around the level of normal times, Western Union will put this cable extension through. As said before, it will be an expensive undertaking, but Western Union is in an excellent position, having over $14,000,000 tied up in outside securities, most of them bonds and stocks of the highest investment grade.

Prospective 1917 Earnings

At the present rate of earnings, Western Union will show a surplus equivalent to between 15½ and 16 per cent on its capital stock this year, which would compare with 13.59 per cent last year. For the first four months of this year gross earnings amounted to $22,940,297 as against $18,600,315 for the corresponding period of 1916. Operating income was $6,409,205, and $5,331,498 for the respective periods. The earnings on the stock for the 1917 period to April 30 was 3.89, and last year's 3.21 per cent. Continued at this rate, the company, after meeting its dividend requirements, should be in a position to add practically $2,000,000 to its surplus over and above the $7,577,000 shown last year.

A Bit of Interesting History

Western Union was incorporated under New York laws in 1851 as the New York & Mississippi Valley Printing Telegraph Co. In 1857 the title was changed to the present one. At various times the company acquired the stocks of other companies operating in different parts of the country. Among the companies so absorbed were the Atlantic & Ohio Telegraph, the California State Telegraph, the United States Telegraph, the United States Pacific Telegraph and the American Telegraph companies. In January of 1881, the American Union Telegraph Co. and the Atlantic & Pacific Telegraph Co. were consolidated, and in 1887 the consolidated company absorbed the Baltimore & Ohio Telegraph Co.

Among the companies controlled either by lease or stock ownership are the following: American Telegraph & Cable, Empire & Bay State Telegraph, Franklin Telegraph, Gold & Stock Telegraph, Illinois-Mississippi Telegraph, International Ocean Telegraph, New York Mutual Telegraph, Northwestern Telegraph, Pacific & Atlantic Telegraph Co. of the United States, Southern & Atlantic Telegraph, Maine Telegraph and Washington & New Orleans Telegraph.

On November 16, 1909, it was announced that the American Telephone & Telegraph Co. had obtained control of a large minority interest in the stock of the Western Union. On March 31, 1913, it was announced that the former owned $29,657,200 of the outstanding stock of the latter. Early in the follow-

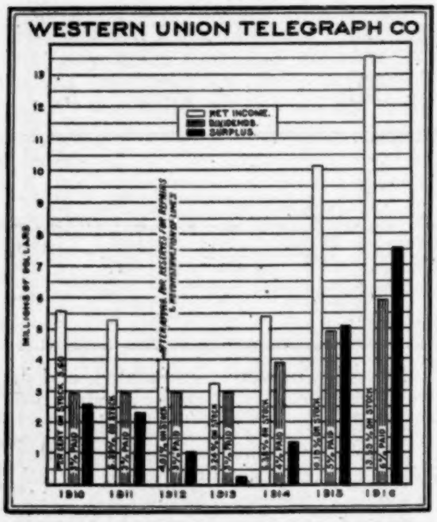
TABLE II
WESTERN UNION
DIVIDENDS PAID SINCE ORGANIZATION

Years	1891	1892	1893-1907	1908	1909-'13	1914	1915	1916
Rate	5%	*5%	5%	†3½%	3%	3¾%	4¼%	6%

*Also 10% in scrip.
†Of which 2½% was paid in stock.

ing year it was announced that in accordance with an agreement between the Department of Justice and the American Tel. & Tel., the latter had sold its entire holdings in Western Union stock to a syndicate formed by Kuhn, Loeb & Co., under an arrangement whereby the privilege was reserved to other stockholders of the Western Union to subscribe to the same pro rata at $63 a share on or before March 24, 1914, to an amount equal to 40 per cent of their holdings as of record February 28, 1914. About one-half of the stock was subscribed for by the stockholders.

In the fall of 1911 stockholders of the Western Union approved the leases of



the lines and the ocean cables of the Anglo-American Telegraph Co. and the Direct United States Cable Co. for a term of 99 years from April 1, 1911. Dividends on the £7,000,000 Anglo-American stock are guaranteed at the rate of 6 per cent a year on the preferred, 1½ per cent on the deferred ordinary and 3 per cent on the ordinary. The rental to the Direct U. S. Cable Co. is £58,568 per annum, and the dividends on its £1,214,200 capital stock are not to exceed 5 per cent without the consent of the Western Union.

Steady Growth in Earnings

The several tables herewith will serve to illustrate the rate of expansion recorded by the Western Union Telegraph Co. since 1910. The steady growth in earnings, income and the comfortable position maintained steadfastly as to working capital and cash are pretty clearly depicted by the figures, and they tell the story without need for any elaboration. On December 31, 1916, the company's balance sheet showed net tangible assets applicable to the capital stock, of $124,354,796, or an equivalent of about $125 a share. This result was obtained by deducting from the total assets, the par value of subsidiary company stocks outstanding, the par value of bonds outstanding, the current liabilities, reserves and the deferred, non-interest bearing liabilities, representing the proceeds of sales of securities and other properties held under leases.

In the ten-year period from 1907 to 1916, inclusive, Western Union earned a total of net profits available for dividends of $59,488,069, or at an annual average of $5,948,806. The percentage earned on the $99,306,825 of average amount of capital stock outstanding in this period was 59.90 per cent, or 5.99 a year on the average. At the conclusion of operations last year, the company had in service 208,474 miles of pole line, 22,728 miles of ocean cables and 1,600,147 miles of telegraph wire and 25,234 offices.

Western Union is selling currently around 94, at which price, assuming that it is now on a 6 per cent dividend basis, the stock yields an income return of approximately 6.4 per cent. At its high price of 105½, made in October of last year, and when the stock was still on a 5 per cent dividend basis, the income return was 4.8 per cent. In addition to its stock capitalization, the company has a funded debt of $31,994,000, consisting of bonds of which $3,357,000 are guaranteed bonds of subsidiary companies. The funded debt proper, therefore, of Western Union amounts to $28,637,000, and this consists of $20,000,000 of funding and real estate 4½ per cent bonds, which mature in 1950, and $8,637,000 of collateral trust currency 5s, due in 1938. The fundings are secured by a first lien in all the company's real estate in New

York and Chicago, and the deed of trust provides that if any mortgage is placed on any property of the company these bonds are to be secured by a prior lien. The currency 5s are secured by a deposit of securities of subsidiary companies aggregating $8,745,000.

A Brief Prospective

Measured by and large, Western Union is a company which faces about as stable an outlook as any corporate aggregation in the country. For the next few years, including the remaining period of the war and the period of reconstruction abroad, the tax on cable facilities operated by the company should enable the company to maintain satisfactory earnings. The telegraph business of the company, under the progressive management that is identified with it, may be counted upon to weave an even finer network of lines. Last year, among other mileage, the company acquired the Montana lines of the Great Northern Railway, while at the same time negotiations were begun for the acquisition of the wire lines in that state of the Chicago, Milwaukee & St. Paul Railroad. This year's record of expansion already includes the recapture of the important Pennsylvania Railroad system. Then, too, it may be that the company, despite metal costs, will undertake, some time this year, the laying of a direct cable to Buenos Aires, a project that will be productive of large revenues and one in which the company is reported to have the backing of the American International Corporation. As for Western Union stockholders, they can well afford to go about their respective vocations with a sense of security so far as the near future outlook is concerned. And there is always the possibility that an "extra" may be forthcoming from even such a conservative board of directors.

TABLE III

WESTERN UNION

PRICE RANGE OF CAPITAL STOCK

	High	Low		High	Low
1917*	99¾	90¾	1909	85¼	64
1916	105½	87	1908	71¾	41
1915	90	57	1907	85	54
1914	66⅞	53⅜	1906	94¼	85
1913	75⅛	54⅛	1905	95½	92
1912	86¼	71¾	1904	94½	85
1911	84½	71⅝	1903	93	80¼
1910	78½	56	1902	97½	84¾

*July 6.

FINANCIERS IN EMBRYO

Now then, all together! Three cheers for the rising young financiers of Public School No. 14 at No. 225 East Twenty-seventh Street, N. Y. C., who closed the school term by announcing that in the Metropolitan Savings Bank they have snugly tucked away a sum of more than $45,000.

The number of depositors in the school bank is 2,139. The number of accounts closed during the term just passed was 153, as against 511 opened. The average sum to the credit of each depositor is $4.19. The number of pupils on the register of the school is 2,711, so it will be seen that considerably more than seven-eighths of the number have learned the lesson of thrift which Principal Hentz and Dr. Sonnenberg have been driving home.

During the past term $5,988.78 were received from the pupils. The amount withdrawn was $1,675.38 during the same period.—*N. Y. World.*

Public Utility Notes

Amer. L. & T.—Declared the regular quarterly dividends of 1½% on the preferred, 2½% in cash on the common and 2½% in stock on the common stock, payable Aug. 1 to stock of record July 14.

Amer. T. & T.—At the end of June the Bell system had a total of 10,285,000 owned and connected stations. This is the first time that the 10,000,000 mark has been reached. On Dec. 31, 1916, the close of its late fiscal year, the system comprised a total of 9,847,192 stations. There has been a gain of 438,000 in the number of stations during the six months. This is an annual rate of expansion of 876,000 stations, or a gain of 9%.

Amer. Water Works.—Pres. H. Hobart Porter issued a statement to stockholders announcing that the plan for funding the dividends accrued to April 27, 1917, upon the first preferred stock is to become operative. Signed consents and approval from a large majority of stockholders have been received and the directors have voted to go ahead with the plan. The first preferred stock to be issued under the plan will be entitled to cumulative dividends from April 27, 1917.

Boston Cons. Gas.—Declared dividend of 1%, which makes total of 7% paid for the fiscal year ending June 30. This is 2% less than company is entitled to pay under the sliding scale act and is 1½% less than was paid in 1917.

B. R. T.—In its fiscal 12 months to June 30, 1917, this company made a better actual gain in gross receipts than during any year in the last eight. The actual gain in new revenue will slightly exceed $1,550,000, against $1,521,000 in 1916 and $835,861 in 1915. April traffic on lines operated by New York Consolidated R. R. (lessee of New York Municipal Ry. Corp., grantee under Rapid Transit contract of B. R. T.) increased upwards of 10% over April of 1916. Passengers carried were 18,405,787, against 16,617,491 for April, 1916.

Cinn. Gas & Electric.—Directors authorized the sale of an additional $2,500,000 of the first and refunding mortgage 40-year 5% bonds. These bonds are part of an authorized issue of $15,000,000, of which $7,500,000 are to be used for the construction of the new electric power generating station on the Ohio river front. The proceeds from the present sale will go towards payment on the plant.

Col. Gas & Elec.—This company's stock has been placed on a 4% basis by the declaration of a regular quarterly dividend of 1%, payable Aug. 15 to stock of record July 31. The initial dividend, declared three months previously, was simply "a dividend."

Commonwealth P. Ry. & Lt.—Earnings for May showed a decline as compared with a year previously. This is due to high cost of labor, supplies and coal. The company has made favorable arrangements for a substantial part of its coal requirements after July 1, the result of which will be reflected in earnings after that date, the officials state.

Det. Edison.—Issued $2,000,000 first and refunding bonds. These bonds are dated July 1, 1915, and increase the outstanding bonds issued under the mortgage to $9,000,000. The issue is due in 1940, and is being offered by Harris, Forbes & Co. and Spencer Trask & Co. at 96 and interest, yielding 5.30%. Application has been made to list $1,500,000 additional first and refunding bonds, Series A, due July 1, 1940.

Mass. Gas.—The action of trustees in increasing its common dividend from a 5% to a 7% basis was thoroughly justified by present and prospective earnings. It is the logical culmination of a conservative upbuilding policy which has resulted in advances by easy stages in the common dividend from the 2% rate initiated in 1906 to the present 7% rate. Some important changes are contemplated in the corporate organization of the system. These changes will probably involve the formation of a new $25,000,000 company which will take over the commercial companies of the Mass. Gas system, with the exception of those in which Mass. Gas is not the sole owner.

N. Y. Edison.—Decided to abide by its agreement entered into in November last, to reduce the maximum prices of electric current to 7 cents per kilowatt hour in Manhattan and the Bronx as of from July 1, 1917.

Nor. States Power.—Earnings, 12 months ended May 31, 1917, of all controlled companies: Gross, $6,508,676; net after taxes, $3,459,372; surplus after fixed charges, $1,822,717; balance after pfd. divs., $981,893.

Ohio Cities Gas.—Directors of this company voted to place the $35,000,000 stock on a 20% annual basis. The reduction from the current rate of 25% will occur after the purchase of the Pure Oil Co. is completed. The company is increasing the stock from $25,000,000 to $35,000,000 in order to finance the purchase. It is learned that the management intends to continue the declaration of stock dividends from time to time, as in the past.

People's Gas L. & Coke.—The passage of the new gas rate ordinance by the City Council cleared the way for the projected plant of the People's Gas Light & Coke Co., which has a large tract of land on the north side of the sanitary district's drainage canal for that purpose. It is intended by the management to expend on the project from $8,000,000 to $10,000,000, and later about $20,000,000 more.

Public Utility Inquiries

United Rys. Investment Co.

A. S., Baltimore, Md.—United Railways Investment Co. finds itself in its present condition because of the severe competition of the jitneys on the Pacific Coast. Inasmuch as you purchased the preferred stock at 60, we would not recommend that you assume a tremendous loss by selling the stock now when it is quoted about 16. The stock appears to be worth holding. At best, however, it is a long pull proposition. Eventually, the company should work out of its difficulties and be able to resume dividends. This stock should benefit by reason of the reorganization plan. You can afford to continue holding it until the status of the company can be determined upon the operating results of the year now drawing to a close, but we do not recommend that you average your holdings by purchasing additional amounts.

B. R. T.

L. B. T., Philadelphia, Pa.—Brooklyn Rapid Transit is selling at a price which discounts a very unfavorable outlook. While it may be a long time before the stock will sell again at the level at which you purchased it, we would not suggest that you dispose of your holdings at this time. The management of the company is engaged in devising ways and means of effecting retrenchment without impairing service, and furthermore the company, like other tractions, local to New York, may be extended some relief by the Public Service Commission in the near future. As you are probably aware, a petition has been sent to the Commission asking for the privilege of charging two cents for each original transfer issued, on the plea that such transfers as are now issued reduce the average fare per passenger to around three and one-half cents instead of the five cents per passenger the companies are commonly supposed to receive. While the Commission may not grant outright a charge of two cents per transfer, it is more than likely that some compromise plan will be reached under which a nominal charge will be made for transfers or under which the present free transfer system will be abolished. Such allowance, if it is made, together with possible retrenchment that the management is hooing to make, would naturally reflect in better earnings and this in turn would tend to improve the market position of the stock. We suggest, therefore, that you hold your B. R. T. stock, at least for a while.

Peoples Gas, Light & Coke

W. H. M., Superior, Wis.—The passage of the new ordinance rate by the City of Chicago has undoubtedly improved the position of Peoples Gas, Light & Coke Co. materially. The company itself now shows its confidence in the future by announcing that it will go ahead with its plan for the construction of a new plant, the building of which was delayed pending the increase in rates. There is not much prospect, in our judgment, of an early resumption of the 6% dividend by the Peoples Gas Co., because, for some time yet, it must look forward to the prospect of very high expenses which will eat up all but a very small margin over the present dividend of 4%. However, we think you may rest assured that the stock will be ultimately returned to a 6% basis and possibly to the old 8% basis. It may very likely sell at a lower price, but the chances of a further material decline are not great enough to warrant an investor in your position accepting a heavy loss.

SUGGESTIONS IN REGARD TO INQUIRIES

The very heavy volume of inquiries which this publication is now receiving makes it necessary to ask our subscribers to co-operate with us in order that we may maintain and improve the high quality of service which the Investors' Personal Service Department renders to our readers. We therefore suggest that:

(1) Not more than two or three inquiries be submitted at one time. Occasionally a subscriber sends in a long list of securities asking for an opinion on each. The careful manner in which the Investors' Personal Service Department handles its inquiries makes it impossible to give such inquiries the immediate attention necessary, without slighting other inquirers.

(2) Write all inquiries on a *separate* sheet of paper, which should bear the writer's name and address.

(3) Enclose stamps or stamped and addressed envelope.

The above suggestions are drawn up for the benefit and protection of our readers and those inquiries which conform with them will receive first attention.

When a reader wishes a special investigation or a special analysis of a security or a subject we shall be pleased to submit an estimate of the special charge for such work.

MINING AND OIL

Sinclair Oil—Is It Over-Capitalized?

Comparison with Some Standard Oil Companies—The Stock Selling Campaign

By PHILIP P. BROWN

THE issuing of $20,000,000 three-year notes, closely following the retirement of $16,000,000 ten year bonds and the recommendation of the board of directors to add 500,000 more shares to its capitalization, together with the twenty point break in the stock, are a few of recent happenings that have brought the affairs of the Sinclair Oil & Refining Corporation prominently before the investors of the country. In order to chronicle fairly the events that have taken place in this company and to gauge, in a way, the position that it will hold in the industry, it is necessary to go back to April 27, 1916, the date of the birth of the Sinclair company.

In the spring of last year, after many of the industrial "war brides" had their boom, a rumor came out of the West that a new oil company, which would rival the Standards, was to be formed. Much mystery was thrown about the prospective enterprise by New York bankers, who, heretofore, had not looked with great favor upon the oil business. But the fact that crude oil prices in the Mid-Continent field were soaring to unprecedented heights, gave support to these stories. By the time the announcement was made that Harry F. Sinclair, former partner of Patrick White in the oil firm of White & Sinclair, had interested one of the biggest banking groups in New York City in an oil promotion, an anxious and an eager investing public was not taken wholly by surprise.

Excessive Capitalization

The syndicate underwrote the major portion of an authorized issue of 1,000,000 shares of stock of no par value at $42 a share as well as $16,000,000 of an authorized issue of $20,000,000 six per cent bonds, which were found to be necessary to pay for several producing and refining properties in Oklahoma and Kansas that were taken into the new combination. Stock in the new corporation was also exchanged for some of the purchased properties.

From the very start the company, according to conservative oil men, was heavily overcapitalized, all of the properties being acquired during a period of abnormal earnings. Oklahoma crude oil was then selling at $1.55 per barrel, the highest mark it had yet touched. The Sinclair Oil & Gas Co., the producing subsidiary at the time of organization, as officially stated to the listing committee of the New York Stock Exchange, was appraised at $30,565,200, and was put into the new corporation at this figure. This amount represented the assets of the producing properties which controlled leases on more than 100,000 acres, but had only a daily production of 12,000 barrels of oil. On the basis of an average price of $1,200 a barrel, a top-notch price at that time, this production could have been acquired for $15,600,000.

The appraised values of the refining companies are often held up for similar criticism. On the day before the Milliken Refining, the Cudahy Refining Co. and the Chanute Refining Co. were taken over by the Sinclair Oil & Refining Corporation, they were appraised at about $5,000,000; yet these companies and one or two others not mentioned in the statement to the Stock Exchange were valued at $13,377,554 when they became units of the Sinclair company. Bonds to the amount of $8,000,000 were placed against them. It is difficult to conceive how the value of these plants was enhanced overnight.

In refuting the overcapitalization

charge, friends of the Sinclair company point with confidence to a comparison of the percentage earnings with several of the largest Standards and independents. Comparing the earnings of two companies, one with a par value stock and the other without, is highly unsatisfactory, but for argument's sake, the following is shown. Before declaring a 33 1-3 per cent stock dividend, the Standard Oil of California had appraised property assets of $74,000,000, on which it earned net in 1916 more than $17,000,000, equal to about 17 per cent on its capital stock, or about 23 per cent on its assets. The Sinclair company now has property assets of the appraised value of over $64,000,000 (which gives the stock a book value of $63 per share) on which it earned in the first year, without depreciation allowances, about $9,500,000, equal to 15 per cent on the assets. Are the California company's assets undervalued or are the Sinclair's overvalued?

When the Sinclair Oil & Refining Corporation began operations, it possessed a complete cycle, having a producing company, a pipe line company that transports its own oil, a refining company with several modern plants (although one at Muskogee is fifteen years old) in advantageous points in the Mid-Continent territory, and a distributing agency that markets its products between Denver and Boston. The earnings for the first year, President Sinclair conservatively estimated, would amount to $10,000,000. For the eleven months ended March 31, last, they did amount to $8,636,440, without charging off any depreciation, which, when it is taken into consideration that several bad months were experienced in the oil industry, were very good.

Stock Selling Campaign

The stock of the company was brought out on the Curb around 45, quickly ran up to 50, and then reacted to 38, where it remained for a considerable time In disposing of the bonds, which were convertible into stock at $55 per share, it was deemed advisable to make the stock appear attractive, so a dividend of $1.25 per share was declared in the late summer, after the company had been in business only a brief period. Shortly before the stock was listed on the exchange, it moved up on the Curb to over $60 per share, and was introduced to trading on the big board at 55. When it moved to 58 there were more bullish tips out on Sinclair than on any other stock on the list.

A good many holders of Sinclair Oil, who were induced to invest in this stock when it was well up in the 50s, have been sorely disappointed in the steady shrinkage in price which these shares have shown recently. The facts which have lately come to light disclosed that the estimates of earnings, production and other essential things, made by the insiders when the stock was fifteen points higher, were, to say the least, extravagant. The acute need for new financing, which appeared after the stock had dropped sensationally, was never even hinted at when the stock selling campaign was at its height. This unpleasant surprise did not develop until too late for the general public to escape uninjured.

Information coming from sources supposedly well informed has on several occasions proven misleading. On June 29, 1916, for example, when the initial quarterly dividend was declared, it was said, and not denied although printed, that the earnings were running at the rate of $25 per share. As a matter of cold mathematical fact, the earnings for the year were in the neighborhood of $9.72 per share. In July of last year it was gently intimated (apparently for public consumption) that the daily production of the company's wells was between 27,000 and 28,000 barrels. The fact is that the production has never exceeded 20,000 barrels per day and that according to the last official statement to stockholders, the output during the month of March this year, amounted to 484,823 barrels of oil, or 15,639 barrels per day.

Expansion Program

The recommendation of the Federal Trade Commission in its recent report urging the divorcing of refining and pipe line companies particularly touches the Sinclair company, which is now constructing a pipe line from Cushing to Chicago. If no unfavorable legislation

be enacted within the next few months as a result of this report, the Sinclair company expects to have new refineries at Chicago, Kansas City and Moline that should be amply supplied with crude oil from its own pipe lines. The company will then have a refining capacity of 40,000 barrels per day that will undeniably make it one of the big refiners of the country. It will have a gigantic output to supply the greatest gasolene consuming district in the United States—that territory lying one hundred miles on either side of the Mississippi River. The production of crude oil with a vigorous drilling campaign could, it is claimed, be brought up from the company's vast unproductive area, to equal its refining capacity.

HOW PRICES AND COSTS HAVE RISEN IN THE OIL INDUSTRY

Price of	June 1, 1917	June 1, 1916	Percentage Increase
Engines	$427.00	$345.00	$23.76
Boilers	950.00	540.00	75.92
Pipe (6 in. per foot)	2.52	1.26	100.00
Labor:			
(a) Drillers (per day)	9.00	6.00	50.00
(b) Pumpers (per month)	115.00	95.00	20.00
(c) Roustabouts (per month)	100.00	85.00	15.00
Crude Oil (per barrel)	1.70	1.55	9.68

Outlook for Earnings

The oil industry, as all other basic industries of the country, is in a very uncertain state at the present moment, owing to the dilatory methods of Congress and Washington officials in their price fixing efforts and taxation deliberations. The writer is firmly of the belief that the oil boom is only in its infancy and that within the next several years, provided that no decidedly unfavorable laws be enacted detrimental to the industry, oil stocks will be among the safest and most profitable investments. However, several obstacles not heretofore encountered are already looming up and will shortly make their presence felt in earnings.

The high and increasing cost of labor and materials, as the accompanying table shows, are two of the principal factors that are now causing operators grave concern. The slight advance that crude oil has made is out of all proportion to the advances in equipment during the last twelve months. With the greater part of the world clamoring for our refined oil products, $2 a barrel, based on the demand and the increased cost of production would, in the opinion of leading oil men, be a fair price for Mid-Continent crude. With such a price established Sinclair should be able to equal, if not surpass, its first year's earnings.

The Sinclair company before the Fall expects to have two of the new refining plants in operation, which will add tremendously to its earnings. These plants, having a combined refining capacity of about 15,000 barrels a day, will be able to manufacture gasolene, kerosene, wax, paraffine, lubricants and the other by-products of crude oil. It will be these units that will chiefly contribute to any of the increased earnings that President Sinclair says will result during the next calendar year. The producing and pipe line properties, of course, will also contribute their share, but new production will be gotten only at big costs.

In operating in the Mid-Continent field the Sinclair company will have to compete with many of the strongest of the Standard and independents. Chicago is the home of the greatest gasolene refiner in the world, the Standard Oil Co. of Indiana. Should competition grow acute, the Sinclair company would find more than worthy opponents in this company and the Prairie Oil & Gas Co.

Heavy Cost of Money

The main fault of the company is overcapitalization. Investors should realize that the companies which have made huge profits in the oil industry have been,

at the outset, moderately capitalized. The Standard Oil Co. of New Jersey, which earned $51,000,000 during the year 1915, is only capitalized at $100,000,000, all of which is not yet outstanding. And it took the Standard company forty years to feel that such a capitalization was justified. The Prairie Oil & Gas Co., the most powerful unit in the Mid-Continent field, is capitalized at only $20,000,000.

The new $20,000,000 note issue, it is learned on good authority, will cost the Sinclair company nearly 12 per cent. In order to meet these payments, the working capital of the company will have to be kept at a very high figure. This, of course, places the $5 annual common dividend in jeopardy.

Position of the Stock

With the company paying almost 12 per cent for its $20,000,000 of notes, with costs of operation mounting each month and with uncertainty regarding future crude oil prices, the Sinclair stock does not look attractive either as an investment or a speculation. While it is quite true that a reduction of the dividend has been discounted to some extent in the present quotation of the stock, should a drastic cut take place, the stock would undoubtedly decline further.

The terms of the note issue, which give a three-year call on the stock at not above $50 a share, mean that 500,000 more shares of stock may be thrown on the market for absorption within the next three years.

This, however, concerns the investor for permanency rather than the speculative purchaser. At an annual rate of $5 a share, when this stock is all outstanding, it will require $7,500,000 a year (almost the whole earnings of the first year's operations) to pay the present dividend.

War Supplies Heavy

The National City Bank gives a report of recent imports for war requirements. The statement covers the seven months ended with January, this year, as compared with the same period a year ago.

	Seven months ending Jan. 1917 lbs.	Jan., 1916 lbs.
Nitrate of soda, Chile	1,404,870,000	1,061,818,000
Copper ore	96,000,000	56,000,000
Copper in pigs	185,000,000	147,000,000
India rubber	155,000,000	75,000,000
Hides and skins	386,000,000	279,000,000
Meat imports	13,000,000	55,000,000
Coffee	715,000,000	709,000,000
Pig tin	72,000,000	49,000,000
Printing paper	545,000,000	475,000,000
Sugar	2,228,000	2,350,000
Wool	152,000,000	263,000,000

Wool and sugar only show a decrease—*Markets*.

Position of the "Coppers"

Labor Strike a Suddenly Injected Speculative Factor—Effect on Production and Prices—Market Position of the Stocks Improved Technically

By N. R. GIFFORD

ALTHOUGH the country's copper producers are optimistic as to the future of copper metal, the fact remains that the more or less immediate outlook for copper is a serious one. This, because of labor strikes, which are threatening to hold up or greatly affect the production of a round 100,000,000 pounds of copper a month.

The seriousness of the situation has not yet fully impressed itself upon the general mind. Notwithstanding that the present strike has been accumulating force and spreading power for about four weeks, there has been no halt in the operation of the refineries. These have been running right along as though no difficulties were being experienced at the ore production end. The explanation, of course, is that the refineries are working on deliveries made two and three months ago. The prospect, therefore, is that the refineries will be able to continue operation practically uninterrupted for another 60 and perhaps 90 days, but interruption through curtailment of production is bound to make itself felt sooner or later. Many copper camps have been shut down in various parts of the country, including sections of the Alaska producing fields. Just what the effect of this temporary defection will amount to cannot now be estimated, but when July figures are cast up, the full measure of the effect of the strike so far will no doubt be apparent.

Curiously enough, the strike is fomented by an organization which has been discredited in practically every other labor camp of the United States and Canada. This organization has been driven out of Canada almost entirely in the last few years, although at times it presented such an apparently solid front as to cause dismay to the employees of labor in mines, building construction and railroad maintenance. In the United States also they have been kept moving from point to point without ever gaining much of a foothold, and even in the identical copper mining camps, where they are now causing trouble, have they been beaten and driven out not more than a few years back.

TABLE I

MARKET PRICE RANGES OF STANDARD COPPERS

Company	Present Price	1917 High	1917 Low	1916 High	1916 Low	1915 High	1915 Low	1914 High	1914 Low
Anaconda	79⅞	87	70	105⅝	77	91⅝	24¾	38¼	24¼
Chino	54⅝	63¾	48⅛	74	46⅛	57⅜	32¾	44	31½
Inspiration	61½	66½	48	74¾	42⅝	47½	16⅝	19¼	14¼
Kennecott	44⅛	50⅛	40	64¼	40	59¼*	25*	—	—
Nevada Cons.	23	26¼	20⅞	34⅛	15	17	11¾	16½	10¼
Ray Cons.	28	32¼	23	37	20	27½	15¼	22½	15
Utah	108½	118¾	97	130	74¾	81¾	48½	59⅜	45⅜

* New York Curb prices.

The Real Strike Objective

The demand of this organization, which calls itself the Industrial Workers of the World, and popularly referred to as the I. W. W.'s, is for a six-hour working day and a wage of $1 an hour. This demand, as one authority aptly dubbed it, verily sounds "like an echo

from Russia." Those who have dug under the surface of things are of the opinion that this demand is merely a guise for the real objective of the I. W. W. That objective is the obtainance of control of labor unions in the various mining camps throughout the country. Some assert that back of it is German money, giving expression to German efforts to hobble our prosecution of the war through disrupting production of a vitally needed metal.

Since the $6 per day demand is reported not to be the sole objective, that demand would seem to be open to arbitration, and efforts should be made to bring about a settlement with as little loss of time as possible. It is in the interest of the whole country. As for the other phase of the matter, the best answer would seem to be that since the I. W. W.'s have been successfully driven out of other camps heretofore, the same could be accomplished again.

Government Price for Copper

While official announcement has not been made, it is reported in quarters usually well informed, that an agreement has been reached between the Government and the copper producers as to the price to be paid for copper metal. It is understood that the latest requisition of the Government, amounting to 60,000,000 pounds of copper, will be paid for on a basis of 75 per cent. of the 25 cents a pound price asked by the producers, with the remaining 25 per cent. of the price to be adjusted later by the Federal Trade Commission. It would seem from this that the producers will obtain therefore, a price of something better than 18¾ cents a pound, for it is regarded likely that producers will obtain some part of the remaining 25 per cent. subjected to adjustment.

Current Market Prices

The copper stocks as a whole are now selling fairly substantially above the low levels established in the early part of February this year, but the margins between current selling prices and the high prices of the year so far are still wide. Most of these high records were established in April and May. The decline from the April and May levels was brought about largely by sympathetic action with the general reactionary trend in prices for industrial and railroad stocks. Contributing factors in the copper declines were a somewhat unsettled outlook for prices due largely to a question as to what price the Government would be willing to pay for its copper, and the prospect that the allies would not come into the market for nearly as big a quantity of the metal as it was expected last April they would.

With the Government paying a substantially better price for its copper metal than obtained under the initial order for approximately 45,000,000 pounds, at 16.67 cents, early in the year, and renewed reports that the near future copper purchase for allied account would

TABLE II

SMELTER PRODUCTION OF COPPER IN THE UNITED STATES

	1913.	1914.	1915.	1916.
Alaska	23,423,070	24,985,847	70,695,286	113,823,064
Arizona	404,278,809	382,449,922	432,467,690	694,847,307
California	32,492,265	29,784,173	37,658,444	43,400,876
Michigan	155,715,286	158,009,748	238,956,410	269,794,531
Montana	285,719,918	236,805,845	268,263,040	352,139,763
Nevada	85,209,536	60,122,904	67,757,322	100,816,724
New Mexico	50,196,881	64,204,703	62,817,234	79,863,439
Tennessee	19,489,654	18,661,112	18,205,308	14,556,278
Utah	148,057,450	160,589,660	175,177,695	232,335,950
Other States	19,901,229	14,523,278	16,011,098	26,272,611
Total	1,224,484,098	1,150,137,192	1,388,009,527	1,927,850,548

*Pounds.

be a sizable one, the general copper outlook has taken on again the bright complexion it has worn since the price for the metal vaulted skywards. Indications now are that prices for the remainder of the year will be maintained in the neighborhood of 30 cents a pound and an average price for the year of around 27 cents to 28 cents, or about a cent to a cent and a half a pound on the average better than in 1916. The big and rather sudden dip in metal prices last April will, of course, serve to pull the average down from what otherwise might have been a nearly 29-cent level.

Copper Future

Of course, the big speculative factor in the immediate copper future is the outcome of the strike among the copper miners of the country which had its inception in some of the Arizona camps. With the Government so vitally interested in copper as an important entity in its general war program, it may reasonably be expected that the Federal authorities will show a stronger hand than they have up to the present time in restoring order. With the strike out of the way and the new requisition for copper from the Allies steadily moving into closer prospect, the outlook for materially higher prices for the copper shares is more than encouraging. It goes without saying, of course, that the earlier the adjustment of the strike difficulty is made, the smaller will be the curtailment of production as compared with last year. The prospects still are that production this year will substantially exceed the 2,259,000,000 pounds of refined copper, which were turned out in 1916.

TABLE III

REFINED COPPER PRODUCTION* IN THE UNITED STATES.

	1913.	1914.	1915.	1916.
Domestic:				
Electrolytic	1,022,497,601	991,573,073	1,114,345,342	1,579,620,513
Lake	155,715,286	158,009,748	236,757,062	269,794,531
Casting	22,606,040	21,506,325	21,555,129	12,469,050
Pig	36,004,986	39,334,043	15,047,990	26,868,105
	1,236,823,913	1,210,423,189	1,387,705,523	1,888,752,199
Foreign (electrolytic)	378,243,869	323,358,205	246,498,925	370,635,116
Total	1,615,067,782	1,533,781,394	1,634,204,448	2,259,387,315

Note: Separation of refined copper into domestic and foreign origin is approximate.
***Pounds.**

Market Position

Until the speech of President Wilson was delivered there appeared some signs of quiet accumulation of copper shares. The coppers are in rather good position but are not regarded as strong enough to advance of their own accord independently of the general market which at this writing displays a declining tendency.

Mining Notes

Alaska Gold.—Reported that in May it milled 202,490 tons of ore, averaging $1,102 per ton. The per cent. of extraction was 81.25 and the loss in tailings 20.66 cents per ton, according to Dow, Jones & Co., July 3, 1917. During June milled 202,490 tons of ore averaging $1.102 per ton, comparing with 227,900 tons averaging $1.187 in May and 212,200 tons averaging $1.09 in April. The month's percentage of extraction was 81.25 and the loss in tailings amounted to 20.66 cents per ton, against a percentage of extraction of 81.13 and a loss in tailings of 22 cents a ton in May.

Alaska Juneau.—In view of the disappointing results at the Alaska Gold property—the ore running 50 cents to 75 cents per ton below expectations—the starting up of the mill on the Alaska-Juneau property adjoining had been awaited with interest. The results to date show a low yield of gold and compare with an average assay at Alaska Gold of $1.19 in 1916 and $1.15 in 1915.

Anaconda Copper.—Production of copper in July was 20,400,000 lbs., compared with 28,400,000 in May, 1917, and 28,100,000 in June, 1916. Production figures for June, showing mine output of 20,400,000 lbs., a decrease of 8,000,000 lbs., compared with May, reflected the alarming situation at the company's properties. Had it not been for the strike troubles, officials of the company say that production in June likely would have passed the 30,000,000 lb. mark.

Arizona Copper.—As a result of the strike call issued by President Donnelly of the Arizona State Federation of Labor, posted at all mines and smelters of the Clifton district at 6 a. m. July 1, properties of the Arizona Copper Co., Detroit Copper Co. and Shannon Copper Co. are completely tied up and production suspended. Over 5,000 men are affected, and production of 9,000,000 pounds of copper per month is involved.

Butte Copper & Zinc.—Stockholders received letters from President Albert J. Seligman announcing a plan to increase the capital stock by 100,000 shares of $5 par, making a total capitalization of 600,000 shares. The new issue has been underwritten without cost to the company and will be offered to stockholders and voting trust certificate holders as of record July 31, on the basis of one share of new stock at $7 a share for each five shares now owned.

Chile Exploration.—Net profit of $2,569,845 for the first quarter of 1916 is equivalent to $0.67 a share on 3,800,000 shares of stock, compared with $433,212 for the fourth quarter of 1916. This company, the operating company of Chile Copper, reported copper production for the first quarter of 1917 as 22,525,796 lbs., compared with 14,778,376 for the last quarter of 1916. The total quantity of ore treated during the quarter was 588,879 dry tons, and the average grade of the same was 1.88% copper, as compared with 623,490 dry tons and 1.70% copper, respectively, for the fourth quarter of the year 1916.

Cerro De Pasco.—Announced June production as 5,032,000 lbs. of copper, compared with 4,670,000 in May, 5,936,000 in April and 6,074,000 in March, 1917.

Chino.—Reported May production of copper as 6,924,457 lbs., compared with 6,368,874 lbs. in April and 6,200,851 lbs. in March. Is estimated to be earning at the rate of about $14 a share. Earnings in 1916 were $14.40 a share. Should 1917 profits amount to $12,000,000, surplus would total $3,300,000, compared with a $5,350,613 surplus returned in 1916.

East Butte Copper.—Reported $1,257,213 net earnings for the year ended July 1, 1917, an increase of $200,000 over same period one year previously. Gross value per ton was $24.32, with a total of $6,064,418. Tons of ore mined were 249,385, cost per ton $7.90, and total $1,969,304. Treatment charges were $1,003,820; smelter deductions $1,203,215; freight, refining and selling $319,761. For mine improvements and equipment $34,985 was paid, and $204,116 for improvements to reduction plant. Reported June production as 1,519,240 lbs. of copper, compared with 2,008,060 in May and 2,081,080 in April, 1917.

Federal Mining & Smelt.—Reported May net earnings of $217,016 after depreciation and all charges. This compares with $204,587 in April. These profits are at the rate of $2,530,000 per year, or at the phenomenal rate of $28 per share on the common stock after providing the full 7% on the pfd. However, about $6¾ per share is due in back dividends on the pfd. since 1912. This sum amounts to $810,000.

Greene Cananea.—Received brief dispatches from Mexico which would seem to indicate that the Cananea Consolidated mines at Cananea in the State of Sonora have been closed, but that the mills are still working.

Hecla Mining.—Will save at least $500,000 in the following five years by virtue of the new smelting contract effective July 1, with the Bunker Hill smelter at Kellogg, Idaho. By the new smelting contract at least $2 per ton is saved on shipments of ore and concentrates. About 40,000 tons were shipped by Hecla in 1916.

Hollinger Consol.—The management of the Hollinger Mines granted a flat rate of $4 a day. For the present the royal service bonus is discontinued. The effect of this will probably be to increase the development and to provide increased ore reserves in preparation for the increased capacity of the mill.

Inspiration.—Reported June production as 11,150,000 lbs. of copper, compared with 11,900,000 in May, 1917, and 10,500,000 in June, 1916. Company produced in the six months to June 30, 1917, 67,400,000 lbs. of copper, compared with 53,848,925 lbs. in the corresponding period of 1916, an increase of 13,591,075 lbs.

Isle Royale.—For the first six months of 1917 profits were a little over $900,000, or at the rate of almost $13 per share per annum. If the company does as well in the second half year as in the first half, it will earn $12.60 per share in 1917. The company has sold copper as far ahead as April, 1918, and for its export product it is getting as high as 36 cents per lb. delivered, or 31 cents f. o. b. this side.

Miami.—Has been closed down as a result of the strike in the Miami district. Rioting developed at Globe, Ariz., when pickets threw rocks at Foreman Richard Mayne as he entered the Old Dominion grounds. It was stated that an appeal may be made for Federal troops. June production was 5,349,000 lbs. of copper, compared with 5,346.000 in May, 1917, and 4,516,395 in June, 1916. Announced the declaration of an extra dividend of $1 a share, in addition to the regular quarterly dividend of $1.50 a share, payable Aug. 15 to stock of record Aug. 1 This is the same as three months previously.

Nevada Consol.—Is feeling the effects of high costs, which averaged 11.02 cents in the first quarter. Earnings are estimated to be running at the rate of $6 a share, or something like $12,000,000. Profits in 1916 were $7.50 a share, or a little over $15,000,000. But the outstanding feature of Nevada is the life of the property, which has been extended to about 17 years. Total profit and loss surplus was $12,353,643 on Dec. 31, 1916. Additions at the end of 1917 might bring this item up to more than $16,000,000. Reported May production of copper as 7,239,978 lbs., compared with 6,727,192 lbs. in April and 6,864,675 lbs. in March.

New Cornelia Copper.—Began turning out copper at the rate of 3,500,000 lbs. a month. This was accomplished by the installation of mining machinery and other equipment, together with construction of a large reduction plant, machine shops, power and pumping stations and various other improvements at a cost of $6,000,000.

Ray Consol. Copper.—Promises to make the best showing in its history in 1917. Mine output in March registered more than 8,000,000 lbs., and this was exceeded by May's production of 8,815,281 lbs., a new high record. A yearly output of about 96,000,000 lbs. and 26-cent copper would make possible profits of about $14,400,000, or more than $9 a share. Earnings in 1916 were $7.66 a share.

Shannon Copper.—Reported June production as 956,000 lbs. of copper, compared with 964,000 in May, 1917.

Shattuck Arizona.—Produced in June 956,396 lbs. of copper, 190,393 lbs. of lead, 11,213 ounces of silver and 146 ounces of gold. In the preceding month the company produced 1,385,669 lbs. of copper, 233,119 lbs. of lead, 23,141 ounces of silver and 157 ounces of gold. In June, 1916, the production totaled 1,466,080 lbs. of copper, 61,889 lbs. of lead, 24,536 ounces of silver and 367 ounces of gold.

United Verde.—Has just paid the regular monthly dividend of 75 cents a share and an extra of 75 cents. With this payment the company has distributed 24 consecutive monthly dividends of 75 cents each and, in addition, has paid 13 extras of 75 cents each.

Utah Copper.—Reported May production of copper as 19,262,856 lbs., compared with 17,231,512 lbs. in April and 15,512,676 lbs. in March. A voluntary increase in wages of 25 cents a day to skilled laborers and 20 cents a day to unskilled workmen had been announced by the company. The company controls large mining interests at Bingham, where strike rumors have been current.

Wolverine.—Closed its record year June 30, 1917, with estimated net earnings of $1,050,000, equal to $17.50 a share, against which $13 was paid in dividends. In addition there will be paid in August, largely from earnings of the past fiscal year, a Red Cross dividend of 50 cents, requiring $30,000.

THE U. S. PRODUCTION OF EXPLOSIVES

The 1916 production of explosives was represented in 215,575,025 pounds of black powder, 255,154,787 pounds of "high" explosives other than permissible explosives, and 34,685,240 pounds of permissible explosives. Exports of explosives, which in 1914, the first year of the war, were valued at $10,037,587, reached a total value in 1916 of $717,144,649.

Mining Inquiries

International Nickel

B. C., Washington, D. C.—International Nickel mines, smelts and refines nickel and copper ores and markets the same in the form of ingots, shot and electrolytic; also manufactures cobalt and nickel salts. The company owns large smelting plants at Copper Cliff, Canada, having a daily capacity of 3,500 tons, as well as separating and refining plants at Constable Hook and Camden, N. J. The mining property is extensive, containing more than 20,000,000 tons of ore, or a sufficient quantity to supply the company's requirements for a great many years.

The International Nickel Co. controls the market for nickel upon which it has a practical monopoly and it can hardly be said that the company has any competition.

The stock is in a speculative position in view of the further increases in war profit taxation the Canadian Government is likely to make from time to time. The company is earning currently at a reported rate of $10 a share, compared with the present dividend rate of $6 a share. It is apparent, therefore, that any further large increases in taxation would reduce considerably the margin of safety on the present dividend rate. We are not informed as to when the Government is likely to increase its present tax or to what amount it will increase it. We do not recommend the purchase of the stock.

Howe Sound Copper

M. C., Fairmont, W. Va.—Howe Sound Copper is a stock which has quite attractive possibilities and over a period of several years it may be fairly rated with the best of the low class copper mining issues. Under sustained high prices for copper metal this stock should prove a profitable purchase. There is still considerable development work to be done on the property and just how large a producer the company will be in the near future depends, of course, on how quickly and how efficiently this development work is accomplished. While we are inclined to generally favor this stock for a purchase as a speculation for a long pull, but not as an investment, we would not recommend its immediate purchase. The market has entered a period of reaction, the extent of which may not be forecast. Under the general effect of such a reaction, Howe Sound, as well as other copper issues, may be expected to work to a lower level.

Copper Stocks

P. B., Newport, Ky.—The outlook for the copper stocks generally, both from a trade standpoint and from the market standpoint, is uncertain. The Government has not yet definitely determined the price which it is to pay for its future copper purchases. There is considerable uneasiness in trade circles on this score. While a price of 20c. a pound would allow a liberal margin of profit to such producers as Anaconda, whose costs are comparatively low, it would be burdensome to the high cost producers.

There is not only the consideration of the price at which the Government may buy its copper supplies, but there is also the uncertainty over the effect of strikes which are now spreading in the various copper mining camps. Anaconda is experiencing considerable difficulty in this respect. Still another consideration is the excess profits tax, which as you know has not yet been decisively settled.

From a purely market standpoint, Anaconda, currently quoted around 80, is not in a favorable position because of the general trend, which is downward. Owing to the many uncertainties ahead of the market as a whole, which uncertainties have removed the incentive for speculative buying, it cannot be anticipated that public interest will be revived in the market in the near future. In the meantime stocks have been distributed on a heavy scale by insiders and it is not likely that reaccumulation will take place until a substantially lower general level of prices has been established.

Although you would have to accept a considerable loss in selling your Anaconda now, it would be better for you to do so than to incur the risk of being hung up with the stock. At least you should protect you commitment with a stop loss order so that your risk will be limited in the event there is a further sudden slump in the market.

Ray Hercules

E. F., Brooklyn, N. Y.—While the situation and general outlook for Ray Hercules appears to be bright, it would perhaps be just as well to take the estimates that are being given out as to its probable earning powers with a grain or two of salt. It may be of course that present expectations will be realized or even exceeded, but usually in a stock of this class there are opportunities to purchase and make money in it when the property is at a more advanced stage of development. We suggest therefore that you wait a while before making a purchase of this stock and in the interim watch developments.

Oil Notes

Anglo-Amer.—Declared a final dividend of 15%, making 25% for the year.

Chic.-Tenn. Oil.—Filed notice at Dover, Del., of an increase in capital stock from $100,000 to $300,000; also a change in name to the Chicago-Tennessee Coal & Oil Co.

Indian Refining.—Announced the declaration of a dividend of 5¼% on the accumulative preferred stock, payable July 23 to stock of record July 7.

Merritt Oil.—The strength of Merritt Oil is based on expectation that the company will be prominent in developments regarding several Wyoming oil properties, which, it is believed, will follow the increase in the capital stock of Midwest Refining Co. from $20,000,000 to $50,000,000.

Mex. Petroleum.—The *Wall Street Journal* said: "Referring to the action which has been brought in the Fed. Dist. Court by the Guaranty Trust Co. against the Mex. Pet. Co., it is explained by the management of the last-named company that the suit is simply a friendly one to obtain a judicial determination as to whether or not the Mex. Pet. Co. in applying moneys to the retirement of certain underlying bonds has complied with the sinking fund requirements of the mortgage securing the Mex. Pet. Co. first and refunding 6% bonds. Of the original issue of $5,940,000 first and refunding 6's approximately $3,940,000 have been retired by action of the sinking fund, leaving about $2,000,000 bonds of that issue outstanding.

Midwest Ref.—Directors adopted a resolution submitting to stockholders a proposal for the increase of capital stock from $20,000,000 to $50,000,000. Earnings of the company are at such a rate as to warrant the expansion of its capitalization to an even larger extent than that decided upon by the directors. The declaration of a stock dividend later in 1917 is among the probabilities.

Paragon Ref.—Directors ordered the dividend rate on the common stock increased from 5% to 6% annually. The first dividend at the new rate will be paid in August. It was announced that the company is doubling its still capacity and had arranged for ample crude oil supply. Two wells will be completed in the El Dorado fields of the company. The property is producing several hundred barrels of oil daily.

Prairie Oil & Gas.—Caused surprise by omitting its $2 extra dividend, which it paid quarterly for a year in addition to a regular $3 disbursement, according to the *Oil & Gas Journal* of Tulsa, "has devoted the extra to the purchase of Liberty Loan bonds."

Royal Dutch.—At the meeting directors approved the balance sheet as it was submitted and declared a final dividend for the fiscal year of 23% payable in Holland on July 5.

Sinclair Oil.—$20,000,000 3-year 7% first lien gold notes, carrying the warrants entitling the holder of each $1,000 note to purchase 25 shares at $45 a share at any time up to Aug. 1, 1918; at $47.50 up to Aug. 1, 1919, and $50 a share up to February, 1920. It was stated after the directors' meeting that the proceeds of the note issue will provide the corporation with ample working capital and sufficient funds to complete its large program of expansion, and they will be offered to shareholders.

Stand. of N. Y.—Advanced the price of refined oil, for export in barrels only, 10 cents a gallon.

Texas Co.—Is preparing to extend oil operations to Gulf coast fields of Mexico. It has adopted plans for development in the different fields to be carried into effect in 1917. It has purchased a site near Tampico on which it will construct a large refinery and terminus. It has acquired leases on large tracts in the different producing fields and well-boring rigs will be installed immediately in oil-proved areas.

Tide Water.—Listed $31,900,000 of capital stock. Income account, four months ended April 30, 1917, of this company and subsidiaries shows gross of $9,004,482 and net of $3,618,841, after allowing for $605,847 depreciation. Consolidated balance sheet, as of April 30, 1917, of this company and subsidiaries shows a profit and loss surplus of $12,849,369, compared with $13,023,616 Dec. 31, 1916.

Union of Cal.—Decided to postpone the declaration of a dividend for the second quarter of the year until after the semi-annual statement of earnings is issued, on or shortly after June 30. Nothing was said by any of the directors after the meeting as to the intentions of the board in the matter of dividends.

Oil Inquiries

Oklahoma Producing & Ref.

M. L. B., Emlenton, Pa.—Oklahoma Producing & Refining Co. has considerable to recommend it as a speculation, but we do not favor its purchase either as a speculation or an investment at this time. The company is comparatively new and we are not favoring the new oil stocks because they are not in a position to withstand a period of depression which may overtake the oil industry in the near future. In short, such companies as Oklahoma Producing & Refining have not established themselves in a strong enough position to create assurance as to the future. It is not customary for an oil company to develop into a substantial organization over night. The next period of depression for the industry will result in the fall of numerous of the new companies which have sprung up during the last two years of extraordinary prosperity. Oklahoma Producing & Refining Co. has expanded very rapidly and it seems to have taken advantage of its opportunities, but at the same time its capitalization has been increased along with the expansion and we doubt the conservativeness of the present capitalization. We do not recommend the purchase of the new stock.

Mexican Petroleum

Atlanta, Ga.—It is doubtful if the directors of the Mexican Petroleum Co. will meet this year to consider the matter of a dividend on the common stock. It is true that the earnings are excellent, being in excess of the rate earned last year, which amounted to about 16%. There are elements of uncertainty, however, in the situation which make it improbable that the directors will be disposed to take dividend action. Political conditions in Mexico are still far from reassuring and there is a possibility that the U. S. Government will requisition many of the company's tank steamers and place them in the foreign service, with the inevitable result that the earnings will suffer a severe reduction.

Texas Co.

J. P., New York.—Texas Company, if regarded purely from the standpoint of current earnings, is in a very favorable position. It is estimated that the company will report net earnings in excess of $15,000,000 for the fiscal year ended June 30. That figure would be the highest in the history of the company. There are, however, other considerations which are unfavorable to a vigorous advance in the stock. In the first place, general market conditions are indicative of a further material decline in the market as a whole. It is not likely that Texas Company stock will go against the current. Furthermore, while the current situation in the oil industry is superficially a strong one, there is the ever present possibility of a reversal. If the supply of oil is suddenly increased or if something else happens to cause a decline in crude oil prices, practically all oil stocks would be adversely affected. We are of course taking a view of the immediate future possibilities for Texas Company stock. Over a period of years we expect this issue to be established at a materially higher level, but it is not good policy even if you were reasonably assured that your purchase would eventually prove profitable, for you to make a speculative commitment in the stock under present conditions.

Penn.-Wyoming

M. S., Boston, Mass.—Penn-Wyoming is a stock which has occupied for sometime past a more or less nominal market on the New York Curb. It is the opinion in well informed quarters that this market has been created for the stock, by way of aiding the direct sale on conditional terms. Most of the stock is being sold, we understand on a condition that it not be sold or offered by the buyer within a limited period of time. Penn-Wyoming impresses us as a promotion enterprise, which although it has some merit, has not the qualifications of a substantial oil company. The stock is not the kind we can recommend either for speculation or investment.

Oil Stocks—Ohio

L. E. E., Youngstown, Ohio.—Since you do not wish to assume the risk of having to hold Ohio Oil for three or four years pending its recovery to the price you paid for it, you would probably do well to sell it now or at least to watch your opportunity to get out on any rally in the near future. Over a period of years Ohio Oil will certainly sell at new high record prices or their equivalent and should return in the aggregate very handsome dividends to those who hold it, but the present situation in the oil industry is uncertain, not only because of the possibility of heavy Government taxation, a restriction of profits by price fixing, etc., but because there may at any time be a sudden increase in the supply, such as would have a depressing effect upon the crude oil market. The oil industry as you know, is subject to quick changes from periods of prosperity to periods of depression and since it has enjoyed during the last two years a stretch of the greatest prosperity in its history, it would seem that on general principles investors in oil stocks should be cautious.

We regret that we cannot comply with your request for information on the other stocks you list, since we note that you are only a trial subscriber to the Magazine, and we wish to call your attention to the fact that as a trial subscriber, you are entitled to only one special report through this Department. That we have already given you. Owing to the very great increase in the number of inquiries which this Department has been called upon to handle, we have found it necessary to make a strict rule as to the future extension of the inquiry service to trial subscribers. We find that we have been doing our regular subscribers to the Magazine an injustice when their answers were delayed owing to the fact that we had been answering a large number of trial subscribers.

UNLISTED SECURITIES

Everett, Heaney & Co.

A Long-Established Partnership, Recently Incorporated— Growing Factor in Our Export Trade — Its Business, Financial Condition and Management

By LAWRENCE C. SMITH

THE United States has been steadily assuming a position of increasing importance as the supplier of many of the needs of South America, the West Indies and the Far East. Its importance in this respect has grown apace in the last eighteen months. The chief reason for this, of course, is the European war, which has temporarily eliminated European countries, that prior to the war, were the chief sources of supply.

What has thus temporarily fallen to American houses in the way of business heretofore monopolized by Europeans, is now sought to be made a permanent accretion. To bring this about, it is realized that a change in methods must be made. And be it said to the credit of American progressiveness and trade ingenuity, some of the leading American export houses have already started to make that change. For one thing, many houses have already abandoned the method of "selling" by catalogue or circular. In place of these long tried and unsuccessful mediums, they have employed their agents. These have established what printed matter could never bring about—a personal contact between exporter and consumer.

European Competitors Aided

Most encouraging results have been already achieved, and it is a foregone conclusion that other houses will follow suit and send their personal representatives to these foreign countries, establish branch agencies and study at first hand the peculiarities of the particular market sought and the needs that require filling. Of course, it has always been believed that American houses entered foreign fields on an even footing with European competitors. It has been believed right along, because it has always been so said without contradiction, except by houses which made unsuccessful ventures. It remains, however, and it should not be lost sight of, that European competitors are directly aided by the fact that important investments have been made by European capital in the enterprises of foreign countries, particularly in railroads and other forms of public utilities, against only nominal amounts of American capital. Then, too, European exporters are undoubtedly helped as against Americans by the fact that, particularly in South America, large resident colonies of those European countries are maintained.

Brains Rather Than Capital Needed

It remains, however, that American exporters, by reason of the conditions brought about by the war, have obtained a footing in foreign fields and that now intelligent effort is being made to further that footing onto a permanent plane. As one large banker tersely expressed it a few days ago, "We (American exporters) have the 'jump' on our European competitors now and we mean to keep it. It is not so much a question of capital as of intelligent head work."

One of the lines of business in which this country is expected to make great headway is in cotton and woolens. Prior to the war, the vast bulk of consumption in South America was supplied by European countries. American goods, for many years had been turned down right and left, although their superior quality was hardly to be doubted. For this, many American exporters were themselves to blame. They pursued selling, delivery and billing methods that were

arbitrary; methods that were acceptable to the domestic consumer, but that did not meet with the somewhat different business ideas obtaining in Latin America. These American methods are being changed.

For the past eighteen months or longer, South America countries, as well as the tropical Atlantic and Pacific islands, have been practically obliged to accept American goods. With this more or less enforced use has come the realization that these goods in reality are of superior quality in many instances to goods supplied by European manufacturers. Their continued use, after the war, is becoming less of a probability each day, and a lucrative field is now regarded as having been permanently opened up to the American manufacturer.

Everett, Heaney & Co.'s Setting

Into this field, with its sleeves rolled up, so to speak, Everett, Heaney & Co. is stepping. This company has been an exporter and importer of cotton goods for over twenty-four years, but little of its business affairs were known for the reason that it was a partnership. Since the first of the year, however, this company has acquired the status of a corporation and its capital shares are now publicly dealt in. It is expected that a listing of the stock on the New York Stock Exchange will be made shortly.

The company was originally started with a capital of $25,000. On January 1, last, it was organized under New York laws with a caiptal of $2,000,000, consisting of 100,000 shares of a par value of $20 each. There is no preferred stock and no bonded indebtedness. This organized company took over the business of Everett, Heaney & Co. as a going concern. As of January 1, 1917, a balance sheet was issued which is shown herewith, setting forth the condition of the company.

The present net assets of the company represent the accumulation of profits earned in business after there had been withdrawn annually, substantial amounts by the several partners. Practically the entire resources of the company are net quick assets, consisting of staple merchandise, cash and accounts receivable, which, independent of good-will or agencies, represent a cash value equivalent to over $15 a share of the total capitalization. The good-will and agencies of the company are said to be extremely valuable and their establishment represent substantial cash expenditures.

The annual sales of the company during the past three years have been as follows:

Year	Sales*	Customers' Sales
1916	$5,037,499	$4,890,597
1915	3,246,717	3,184,349
1914	2,276,188	2,269,173

*Including interdepartment sales.

No Change in Management

The profits of the company, according to an official statement, have exceeded $1,000,000 during the last five years and struck an average therefore of over $200,000. Net earnings from operations, after deducting all expenditures, for the three months ended March 31, last, amounted to $162,627, while the sales since then have continued at the rate indicated for the first quarter, and are expected to continue at that rate.

Everett Heaney has not dealt in war supplies, and therefore has not profited by war business, since the merchandise in which it deals is in every sense staple.

EVERETT, HEANEY & CO. BALANCE SHEET AS OF JAN. 1, 1917.

Assets	
Cash in banks and on hand	$677,365
Accounts receivable	965,945
Bills receivable	22,497
Merchandise inventory, at cost	706,131
Stationery inventory	10,685
Investments in marketable securities	6,600
Furniture and fixtures	10,000
Good-will, foreign agencies, etc.	476,755
Unexpired insurance and interest	4,242
	$2,880,222
Liabilities.	
Capital stock (100,000 shares par value, $20)	$2,000,000
Accounts payable	615,646
Accounts—Others	34,576
Bills payable—Banks	230,000
	$2,880,222

From the funds realized from the recent sale of stock, $500,000 has been added to the cash capital of the business, as reflected in the balance sheet shown herewith. One of the favorable circumstances in connection with this company is that the business management has not been changed during the company's entire existence. Those who compose this management purchased for their own account 50,000 shares of the stock of the company and will continue to manage the business as heretofore. Dividends have been inaugurated at the rate of 10 per cent a year, which is regarded as a conservative basis in view of the earnings as shown by past experience and of the sales and profits made during the first quarter of the current year.

Outlook for the Stock

Everett, Heaney & Co. stock is now traded in on the New York Curb. The stock was brought out a few months ago at $20 a share, and is now selling around 22⅛ ex the dividend, which, if added, would make the price equivalent to 23⅛. In view of the big opportunity that has been opened in South America for the reasons already stated, Everett Heaney appears to be a stock which has excellent prospects, and as such should be regarded as a good speculative issue.

Listing of this stock would, of course, procure for it a more recognized position.

MARKET STATISTICS

		Dow Jones Avgs.		50 Stocks			Breadth
		20 Inds.	20 Rails	High	Low	Total Sales	(No. Issues)
Monday,	July 2.......	95.23	92.45	82.44	81.14	589,200	191
Tuesday,	" 3.......	95.31	92.93	81.87	80.45	514,100	187
Wednesday,	" 4.......	STOCK EXCHANGE CLOSED (Independence Day).					
Thursday,	" 5.......	93.57	92.16	81.76	80.17	650,100	197
Friday,	" 6.......	93.90	92.46	80.81	80.05	564,300	187
Saturday,	" 7.......	94.28	93.08	81.10	80.56	191,500	133
Monday,	" 9.......	93.64	92.80	81.12	80.16	507,100	176
Tuesday,	" 10.......	93.10	93.55	81.18	80.25	682,100	186
Wednesday,	" 11.......	94.14	93.94	81.93	81.15	695,500	193
Thursday,	" 12.......	93.64	94.12	82.13	81.08	867,500	196
Friday,	" 13.......	92.33	94.02	81.83	80.42	907,200	193
Saturday,	" 14.......	92.57	95.09	81.59	80.69	389,700	165

Unlisted Security Notes

Amer. Shipbldg.—Declared the regular quarterly dividend of 1½% on the common and an extra of 3%, both payable July 30 to stock of record July 5.

Amer. Thread.—Report, 11 months ended Feb. 28, 1917, shows earnings of $1,286,864, equal to $1.07, or at the annual rate of $1.17 on the 1,200,000 shares common stock on which $4.50 a share have been paid up, against $1.09 earned in the previous year to March 31, 1916.

Biddle Motor Car.—Filed notice at Dover, Del., of an increase in capital stock from $100,000 to $250,000.

Bliss, E. W.—Is working out plans which, it is hoped, will bring the capacity of the torpedo department in Brooklyn up to ten torpedoes a day. The present capacity is not over two, and usually runs nearer to two torpedoes in three days. The company is still working on some of its old contracts for the Allies for shell machinery. It is understood to be the intention of the officials to maintain the machinery manufacturing department.

Bush Terminal.—Declared a semi-annual dividend of 3% on the pfd., 2½% on the common and an extra common stock dividend of 2½%. All payable July 16 to stock of record July 7.

Chevrolet Motor.—Closed May with unfilled orders for 8,500 cars. Under the policy of this company of monthly clearing, these orders expire automatically. Notwithstanding increased production in June, indications are that the month will show, like May, about 8,500 unfilled orders. This company has not passed a single month since last September with orders less than 6,000 not filled.

Cont. Paper Bag.—Declared dividend of 6% on its common stock out of earnings and surplus of 1916, payable Oct. 1 to stock of record June 30. The company also declared extra dividends of 1½% each on its common and pfd. stocks out of earnings and surplus of 1917, payable Nov. 1 to stock of record June 30.

Cramp Shipbldg. — While profits for the year ended April 30, 1917, are not directly stated in the report, it appears that the credit to profit and loss increased $1,280,800 and that the 3% dividend amounted to over $180,000, a total of more than $1,460,000, or about 24% on the $6,098,000 capital stock, after all charges. In the previous year 17.8% was shown by the income account and in the 1914-15 year 10.6%. The company has made the following payments and expenditures in reduction of capital debt: 159 20-year 5% serial notes redeemed as per terms of issue for $159,000; 25 first mortgage 5% gold bonds redeemed as per term of deed of trust for $25,000. There also was expended $1,143,032 for real estate, new tools, machinery and implements. Balance sheet, as of April 30, 1917, shows a profit and loss surplus of $6,957,746, compared with $5,676,946 April 30, 1916.

Eastman Kodak.—Declared the regular quarterly dividends of 1½% on the pfd. and 2½% on the common stocks, payable Oct. 1 to stock of record Aug. 31; also an extra dividend of 5% on the common, payable Sept. 1 to stock of record July 31.

Empire Tire & Rubber.—This company is a reorganization of the Empire Rubber & Tire Co. The latter was a close corporation, having $990,650 of stock outstanding. The new company issued $1,500,000 of pfd. and $3,000,000 common. The pfd. was offered at par, with the statement that it would be secured by about $1,800,000 of net tangible assets. The new company has issued a statement that its net earnings in the first four months of 1917 were $122,000. That figures out at about 8% a year on common stock before depreciation allowance.

Hood Rubber.—Is planning to issue an additional amount of 7% pfd. stock, the proceeds of which will be used to pay off the floating debt incurred through construction and expansion. The company has outstanding at present 2,750,000 7% pfd. stock, the issue having been increased from $2,500,000 in 1916. The new issue of pfd. stock will be offered first to the stockholders.

Scovill Mfg.—Closed contracts for not less than 2,000,000 time fuses for shrapnel shells for the United States Army at a price of about $2.45 each. Declared an extra dividend of 10% in addition to the regular quarterly dividend of 2%, both payable July 2 to stock of record June 23. This makes 70% paid in extra cash dividends so far in 1917, and with the 6% in regular dividends paid thus far makes a total of 76% in cash disbursements. In addition the company paid a 25% dividend in Anglo-French bonds.

Legislation and Cotton

By RICHARD S. SLATER

IT was not to be expected that cotton should escape the fright caused by the fear of radical war legislation that has affected almost every line of business. When cotton, in common with copper and a number of other commodities, was chucked into the food control bill by the Senate the market was filled with uncertainty, and a sharp break in prices occurred. A week spent in Washington investigating the situation, however, convinced the writer that it was never the serious intention of any one to include cotton in the provisions of this measure.

The Senate of the United States is always a most jealous body. It is jealous of its rights, its privileges and its traditions. It is jealous of other branches of the Government, and just now it is particularly jealous of the business men called to his aid by the President to assist in war preparations.

This sentiment, so plainly manifest on the floor of the Senate, creates a feeling of intense hostility to all measures like the food control bill; but the Senate realizes that the public is waiting with impatience for the passage of the war measures, and that, now we are at war, the bills must be passed. The task is a bit distasteful, however, because of a deep seated belief that the conduct of the war should be in the hands of a Senate committee—so the Senate has been hesitating and stalling. The prohibitionists were listened to, and the liquor interests put on the defensive. The liquor interests sent clever men to Washington, and when they resorted to the old lobby tactics of overloading a bill to kill it, the Senate was willing to listen to them, and put cotton, copper and any thing else suggested into the bill.

As soon as cotton was in the bill every cotton state Senator began to assure his constituents that it was only a bluff, and that cotton would "come out" before the passage of the bill. "No one wanted cotton in," one Southern Senator said to me. "It was only put in by the enemies of the bill."

"Did the liquor interests have anything to do with it?" I asked.

"Oh, yes. Do you blame them?" he answered, naively.

Oh, no, I didn't blame them. Anything is fair in love, war and lobbying—at least if a United States Senator feels that way about it, I suppose other people should.

After the food bill has been kicked around for a good while longer it will finally be passed; and when it is, it is safe to say that it will not contain anything about cotton. However, the lobby and the Senate managed to stir up considerable trouble in the market. There seems no reason why any attempt at cotton price fixing should be made by the Government at this time. English spinners are complaining loudly, but their real grievance is the scarcity of cotton in England—not the price. I have just received a letter from Manchester that says there is plenty of business for the mills of North England at profitable prices, if they can get the cotton.

American mills are making more money than ever before, and are not asking the Government to fix a price on raw cotton; for they realize that if this was done it would mean that the Government

would also fix prices on yarns and goods.

The cotton farmer is naturally opposed to such a measure, and the general public is not asking for it.

That this country will limit exports to neutral countries to the before-the-war limit of consumption is, of course, a foregone conclusion. The neutral countries of Europe have been fattening ever since the war began on what they received from America and sold to Germany. The American has been called a "dollar grabber"; but never have American business men ever shown the greed that has been exhibited by our friends in Holland, Norway, Sweden, Switzerland and even Italy. Of course, all these channels of supplies to the enemy are going to be shut off. This, however, is going to have only a very slight effect on the cotton market.

The great question is whether or not there is going to be enough tonnage to give our allies the cotton they need. Consider the matter from any angle, and the conclusion must be the same. If our navy and the warships of our allies can protect commerce, and the bottoms can be found to carry the cotton, there will be a pressing demand for every ounce of cotton that will be raised in the United States this year, and price will be no check to consumption.

There is no possibility of a large crop. Domestic consumption will be much the largest ever known. Japan wants all the cotton it can get, and has the money to pay for it. England is so hungry for cotton that it must make sacrifices if necessary to secure it. Russia will produce less cotton than for many years. China has so little cotton goods that its millions are in danger of going bare.

If the enemy is going to be able to bottle up these United States cotton will go lower as soon as the new crop begins to move. There seems to be about as much chance of this being the case as there is of—— But there is no such chance, and therefore no comparison that is at all adequate.

There is just one thing that the cotton market should beware of, and that is rumors of peace before Germany is crushed, as no great nation was ever crushed before or will ever be again. This country and not Germany will say when peace shall come, and peace rumors to be worth market consideration must come from Paris, London and Washington—particularly Washington, let it be remembered—not from Berlin.

Wheat Crop Promise Brighter

By P. S. KRECKER

SALIENT developments in the grain markets have been the bright prospects for the new crops, the vast increase in foodstuffs this year compared with last, as indicated by the Government crop report for July, and the further steps taken by the leading grain exchanges to restrain reckless speculation. The Government report proved that there will be no lack of food, both for the United States and her allies, during the ensuing crop year if only ordinary precautions are taken to regulate distribution, for on the first of this month the indicated yield of seven leading foodstuffs was a billion bushels larger than last year's harvests. Corn led with a gain of 541,000,000 bushels, oats came next with an increase of 201,000,000 bushels, and potatoes third, with a gain of 167,000,000 bushels, while wheat, barley and rye accounted for another 90,000,000 bushels of increase. Since that report was issued weather conditions have generally favored the further improvement of crops so that at this writing the outlook is even better than it was on the first of the month. At the same time, it must be remembered that these crops have not yet been made. Spring wheat and corn, on the outturn of which so much depends, have yet to go through a critical stage of growth, and their promise might easily be dimmed. Winter wheat, potatoes and oats have safely passed the crisis, and

are certain to be close to estimates.

The wheat outlook is for a crop of about 700,000,000 bushels. This estimate allows for some improvement since July 1, when the Government figured on a yield of 678,000,000 bushels. If wheat yields 700,000,000 bushels, there should be fully 100,000,000 bushels to spare for export, with the possibility of another 50,000,000 bushels if per capita consumption is reduced as planned.

With as increase in corn production of half a billion bushels and of 200,000,000 bushels in oats, there should be little difficulty in effecting sufficient substitution to save 150,000,000, if not 200,000,000 bushels of wheat for export. Canada might add 200,000,000 bushels to this total if her crop turns out well. Present indications are excellent for a yield close to 300,000,000 bushels in the Dominion. Mr. Herbert C. Hoover has estimated foreign requirements of wheat at 500,000,000 bushels the ensuing year. If the North American Continent could supply 200,000,000 bushels, that quota could be filled up with surpluses from Argentine, India and Australia, provided ships could be made available for transporting the grain.

With trading in wheat completely smothered and with limitations on corn pointing to a like extinction of speculation in that commodity, oats remain the only free market. This condition naturally invites the interest of traders in grain, and activity in oats futures is on the increase. The crop of oats is large and the maintenance of the machinery for hedging operations is desirable, while the price is moderate, so that there is no reason to look for any interference with the market such as fixing a maximum price unless speculation becomes reckless and starts inflation of a dangerous character. The situation in oats is different from that in either wheat or corn. In the case of the former, regulation is absolutely necessary because there obviously is not enough wheat to go around unless the strictest economy is practised all over the world. The promise for corn is enormous and there should be ample for all needs, but the crop is not made yet, and will not be made for many weeks, while as pointed out, available supplies are limited to rather small figures. In oats, however, the situation is nearly normal. There are plenty of oats for immediate purposes, while a new crop is making fast and promises to be the second largest in the history of the United States. Production forecast by the Government report will be 1,453,000,000 bushels, a total which has been exceeded only once, in 1915, when 1,540,362,000 bushels of oats were actually harvested.

Unlike corn, the crop movement of oats will begin this month and may be fairly heavy before the first of August. There has been some hedge selling of oats, and the volume of selling of this character will increase as the movement grows, so that a natural check on inflation exists. Under these circumstances, it may be that the necessity for interference with the market will not arise, and free trading may continue for months to come. The only option which has shown signs of congestion is July. This has been selling at a big premium over September, which is a new crop month, because of the strength of cash oats. These have been commanding a premium over July options of 6 to 7 cents, but if oats move freely to market the latter part of this month, the cash premium may not be maintained. Naturally, there has been virtually no hedge selling of July, but September has felt the pressure of hedges and is selling at a discount of about 12 cents from the cash month. With a huge crop soon moving, the natural expectation would be for a decline in September. But the question arises, what will the farmer regard as a fair price for his oats? It is doubtful whether he will sell them for as little as 50 cents a bushel when new wheat commands $2.50 and cash corn is selling at the dizzy figure of $1.91 a bushel. The probability is that he will be rather stiff in his price. Since July is commanding a premium of 12 cents over September and cash oats sell at a premium of 7 to 8 cents over the July option, it is not reasonable to expect September oats to decline much. The logical view is that more money can be made by buying them at concessions than by selling them for a decline.